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LOCAL FISCAL IMPACT OF THE LOSS OF GENERAL REVENUE SHARING

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BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY,
FEDERALISM, AND THE DISTRICT OF COLUMBIA

OF THE

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GOVERNMENTAL AFFAIRS
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LOCAL FISCAL IMPACT OF THE LOSS OF GENERAL REVENUE SHARING

MONDAY, JUNE 22, 1987

U.S. Senate
Subcommittee on Government Efficiency,
Federalism, and the District of Columbia,
Committee on Governmental Affairs,
Kingsport, TN.

The Subcommittee met, pursuant to notice, at 11 a.m., in the City Hall, Kingsport, Tennessee, Hon. James Sasser, Chairman of the Subcommittee, presiding.

Present: Senator Sasser.

OPENING STATEMENT OF SENATOR SASSER

Senator **Sasser**. The Subcommittee will come to order. Let me begin by welcoming all of you here this morning. We're beginning today here in the Tri-Cities, a series of field hearings which I am holding as Chairman of the Subcommittee on Government Efficiency, Federalism, and the District of Columbia, a Subcommittee of our parent Government Affairs Committee. These hearings will begin here this morning in the Tri-Cities. We will continue the hearings this afternoon in Nashville, so if I get up and run out, you'll know where I'm headed—it's to the airport and on to Nashville. And then on Wednesday and Thursday of this week, will hold continued hearings in Washington where we'll hear from a number of agencies and individuals.

As Chairman of this Subcommitee, I intend to concentrate on the development and passage of legislation which will fill the gap left by the elimination of general revenue sharing. The loss of these funds will be particularly felt by those communities and localities that experience chronically high levels of unemployment and a dwindling tax base. The purpose of these hearings will be to explore the impact of the loss of general revenue sharing funds on local communities right here in Tennessee.

By going directly to those of you who are charged with the responsibility of formulating either City budgets or County budgets and by consulting local officials, as I like to say, "down where the rubber meets the road," we can more effectively devise legislative solutions for the problems that our Mayors, our County Executives, and our local officials face on a daily basis.

I have often said the toughest job in government is the job of a local Mayor or County Executive or those who have to work and deal with problems on a local level, and almost all the time, without adequate resources really to deal with those problems.

What we're attempting to do here and what we'll be doing later on this week in the hearings that I'm holding in Washington, is to develop a sold base of evidence, a record, if you will, on which to rest a comprehensive and effective legislative proposal.

I'll be introducing the legislation, hopefully, next month, which will be an alternative to the general revenue sharing program which is now defunct. My proposal will target fiscal assistance, that is, Federal dollars, to communities which experience chronically high rates of unemployment and which have a low level of total taxable resources. Now, we believe that such a targeted approach will differ from the general revenue sharing formula, in that it will distribute financial resources to areas where it's needed the most.

One of the primary criticisms we heard of the general revenue sharing program, which was phased out, and which was made every year and which the administration finally used effectively to kill it, was that regardless of the fiscal capacity of a community, that is, regardless of the wealth of the community, regardless of whether or not it needed general revenue sharing funds, the community received such funds. For example, we had cities like Beverly Hills, California, receiving a share of the revenue pie just as some of our depressed communities here in Tennessee were receiving. Clearly, Beverly Hills, California, and other such high income areas, really didn't need revenue sharing, but just as clearly our depressed areas here in Tennessee and other areas around the county desperately needed that revenue sharing.

Last year, I offered an amendment on the floor of the Senate to try to save the revenue sharing program. That amendment failed very narrowly by a margin of less than 10 votes. And at that time, I argued that if general revenue sharing were to be eliminated, we would simply be shifting the tax burden to local communities that could least afford it. The loss of general revenue sharing to the cities and counties would leave the chief executives of the these communities with a Hobson's choice.

They would have one of two options—either increase local taxes, whether they be sales taxes or property taxes or a combination of the two, or cut back essential community services. And what we found all across this country, that something like 60 to 65% of the counties have been forced to either cut back services or to raise revenues. And what we've also found, is that in 28% of these counties they have been forced to do both—to cut back on services and at the same time raise revenues, all as a result of the loss of their general revenue sharing funds.

Now, we hear a lot of talk across the country about the need to increase or improve our educational system. In Tennessee, the great bulk of the general revenue sharing funds were devoted to supplementing the budget for education at the county and city level all across this State. In fact, no other State in the Union, except New York, concentrated a higher share of their general revenue sharing funds on education. So, we in Tennessee knew the best place to put some of that general revenue sharing funds because we knew the importance of education in a constantly changing and competitive world.

That's not to say that other community services are not also essential. Law enforcement. We've seen in many communities across this country as they've lost their revenue sharing funds at a time when crime is on the increase, they've actually been forced to cut back on the number of law enforcement officers.

Fire protection. Fire fighters have been cut back. Road maintenance has been cut back. And nutrition services to our elderly, like the Meals on Wheels program, have been reduced. Transportation for the elderly in many areas across this country have simply been cut out. And many other programs have been reduced—all of which were dependent on general revenue sharing.

I think it's imperative that we resuscitate aid to our cities and our counties at least to the point of getting it to those areas that are in greatest need. And we find that all across our State of Tennessee, although we have some areas that are enjoying unprecedented prosperity, we find that many, many of our counties and cities right here in upper East Tennessee continue to run unemployment rates that are significantly above the national average. These local areas continue to have per capita income rates that are significantly below the national average—sometimes as much as 45% below the national average as far as per capita income is concerned in some of our counties here in upper East Tennessee.

I am now advised that Mayor Hunter Wright, the Mayor of Kingsport is here with us. Mayor Wright, if you have any comments, we would be delighted to receive them.

TESTIMONY OF HUNTER WRIGHT, MAYOR, KINGSPORT, TN [1]

Mayor **Wright**. Thank you, Senator Sasser, for first, coming to Tennessee and listening to the desires and wants of the elected officials across this State to examine the reinstitution of this particular funding source to municipalities and counties. I'd like, at this time, to give you a review of how Kingsport, in the 14 years that revenue sharing was available as a funding source for cities, how we spent our money and used these particular funds to, I think, enhance the City of Kingsport.

The City of Kingsport first received general revenue sharing funds in the fiscal year 1973. On an average, the City has received approximately $700,000 per year. The only exception being the short fiscal year of 1977 when the City received $335,000.

Kingsport has utilized general revenue sharing funds to fill a wide range of community needs ranging from roads to fire trucks to parks.

The common theme running among these projects has been that these represent a community need that might not have been met without extra resources provided by general revenue sharing. The following report outlines the City's use of its revenue sharing dollars. The City believes that the projects made possible through revenue sharing are the best illustrations of the program's importance.

Take public safety for example. Kingsport has used revenue sharing funds to purchase a variety of public safety equipment. In

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[1] See p. 101 for Mayor Wright's prepared statement.

1980, funds were used to purchase approximately six desperately needed police cars. Police cruisers receive constant use, logging approximately 60,000 miles per year. Because of this constant use, cruisers may be replaced every 2 years.

Senator SASSER. Mayor, those are Kingsport police cars there on you screen?

Mayor WRIGHT. Right, Sir. We have some slides to illustrate our investments and some of our expenditures. Because of this constant use, cruisers must be replaced every 2 years—a real drain on the City's financial resources. In 1984, $120,000 was used to replace a fire pumper truck. Fire trucks have a long useful life, but their tremendous cost makes them extremely difficult to replace.

On our infrastructure, historically over half of Kingsport's general revenue sharing allocation has been used to fund new and improved infrastructure. The roots of the city are its roads, its bridges, storm sewers, sanitary sewers and street lighting. In 1979, the City used revenue sharing funds to improve the Sullivan Street Bridge over Reedy Creek. The original Sullivan Street Bridge was designed in such a way that the bridge actually caused flooding during high periods of water. Water would strike the bridge's support and flood the surrounding area. In addition, traffic on the bridge had increased to a point where the bridge's two lanes were no longer adequate. Revenue sharing funds made it possible for the City to redesign and expand the bridge, saving lives and property.

Most recently, the City used revenue sharing funds to install street lighting along a stretch of the John B. Dennis Highway, known as Tennessee Highway 93. This particular stretch includes the intersection of the John B. Dennis and Lincoln Street, a heavily traveled intersection due to its close proximity to the Tennessee Eastman plant. Installation of street lights at this intersection greatly reduced the number of traffic accidents in this area.

Economic development. Kingsport, like most other U.S. cities, is competing heavily for jobs for its citizens. In order to attract new industries to the area, the City spent $160,000 to establish a regional service park. Currently, the service park houses 10 businesses.

Also, like many other U.S. cities, Kingsport is fighting to keep its downtown alive. In 1982, the City took an important step in this direction by improving one of the downtown central streets. The number of traffic lanes on Broad Street was reduced from four to two. The middle two lanes were converted to parking areas, increasing the amount of available parking by approximately 75 spaces. In addition, the improvements gave the street a more pedestrian orientation. Both of these factors combined to encourage businesses to locate in this area.

On our quality of life. Because high quality of life is desired by our citizens, the city of Kingsport has used much of its general revenue sharing allocation to provide parks, library services, ball playing fields, and recreation program. In 1976, the City used $524,000 to remodel and enlarge a municipal swimming pool. This olympic size pool is a favorite summer hangout, serving approximately 37,000 people per season.

In 1980, the City used revenue sharing funds to purchase a special van for the transportation of Kingsport's handicapped senior citizens. This program still exists today and serves 144 handicapped people per year.

Improving the efficiency and effectiveness of our city. Often a city can improve the efficiency and effectiveness of a service by updating its technology or improving a facility. Normally, these improvements require a large initial capital investment. The city of Kingsport has utilized general revenue sharing funds to improve many of the services that it provides. In 1983, the service purchased side-loading trash trucks to replace its traditional rear-loaders. Because of the side-loading machines being more efficient, the city was able to reduce the number of trucks needed from five to three and the number of crew members from 10 to 6.

In 1979, Kingsport used revenue sharing funds to replace its animal shelter. At that time, the shelter was only large enough to house cats. All dogs had to be held in out-door pens. In order to alleviate this harsh and unhealthy condition, a new 28 pen shelter was constructed which can house up to 50 dogs and cats.

The city spent $1.4 million to replace its city garage in 1982. The previous garage had not grown with the city's fleet. The city's organization's efficiency was being drastically inhibited when vehicles could not be serviced on a timely basis. The new garage can accommodate up to 26 vehicles and is designed with the capacity to handle the demand for the next 50 years. In addition to the garage, the building also houses the city's central purchasing offices and central stores.

Kingsport had made good use of revenue sharing funds that it has received in the past 14 years. These funds have been used as a integral part of the city's revenue base. Revenue sharing has allowed Kingsport to meet some of the more costly needs of the community. When revenue sharing was discontinued, it represented the end of one of the finest partnership programs between the Federal government and U.S. cities.

The city of Kingsport encourages the examination of the reestablishment of Federal revenue sharing. If a new Federal revenue sharing program is implemented, it is recommended that it be done on a per capita distribution system.

Senator, I thank you. I submit this statement to be included in the record and we appreciate your interest, and, again, wish you the best of luck in trying to get this program revised.

Senator Sasser. Well, Mayor, I want to thank you very much. And, or course, we'll incorporate your statement into the record this morning and any additional information that you might wish to provide us later will be part of the official record. We thank you for joining us and giving us your views.

Now, our next witness is going to be Mr. Tom Moore. Mr. Moore, if you would come forward.

Mr. Moore is currently the Executive Director of the First Tennessee Development District. He's served in this capacity since 1975, taking a 3-year break to serve as City Manager of Bristol, Tennessee. Prior to this, he was the Director of the State Transportation Department, the Public Transit Program. Tom Moore has also been the Chief of Long Range Planning for the Memphis and Shelby County Planning Commission. And Mr. Moore received his bachelor's degree from Memphis State University and a master's degree in planning from the University of Tennessee in Knoxville.

Tom, I welcome you here today. You've been kind enough to help us in times past on a number of very important projects, giving us the benefit of your views and expertise and we look forward to hearing from you this morning.

TESTIMONY OF TOM MOORE, EXECUTIVE DIRECTOR, FIRST TENNESSEE DEVELOPMENT DISTRICT [1]

Mr. MOORE. Thank you, Senator. This is a particular topic that I have a great deal of interest in and I appreciate the invitation to offer my opinions here. Before I go into the actual discussion on revenue sharing, I would like to provide some background data on our region which might be helpful. The data will provide some insights into the current regional economy and the resulting physical condition of our cities and our counties. This is important to understand before we can really comprehend the true impact of the loss of revenue sharing funds.

As you know, we are located in the extreme northeast corner of Tennessee and border on the State of North Carolina and the Commonwealth of Virginia. The region served by the First Tennessee Development District consists of eight counties and within these counties are 19 municipalities. Our district population in 1985 was an estimated 434,000 persons. In 1984, our per capita income was $9,493. This is 74.7% of the national average of $12,707.

Senator SASSER. Another way of putting it would be about 25.3% below the national average.

Mr. MOORE. That's correct. And as an additional comment, I would like to point out the obvious relationship between a community's per capita income and the ability of a government of a community to tax its citizens in order to provide basic services. Our 1986 unemployment rate across the eight counties was 8.7%. This figure represents an increase from the 1980 unemployment rate, which was 6.7%. We have had a 2% increase overall in 6 years of our unemployment rate. Further, when you analyze our unemployment rate, it is important to note that while the overall 1986 rate was 8.7%, for three of our rural counties the average 1986 rate was 12.8%.

The economy of our region has been severely impacted in the last several years with the closure of major manufacturing employers. Two thousand jobs were lost with the closure of the International Telephone and Telegraph Company plant.

Another 2,000 jobs were lost with the closing of the Mason Dixon truck lines. The termination of TVA's Phipps Bend Nuclear Plant cost 3,000 temporary construction jobs and further cost an anticipated 300 permanent jobs. More recently, you're familiar with Unisys. Unisys has announced plans to close its Bristol plant which will cost our regional economy another 1,600 jobs. Other plant cutbacks and layoffs, while small and individual in nature, have resulted in an aggregate loss of an additional 2,600 jobs.

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[1] See p. 109 for Mr. Moore's prepared statement.

While we have been successful in attracting new industry and plant expansions to our economy, our unemployment rate has increased, and our rate remains higher than the national average. And as I mentioned, these factors directly impact the community's tax base and its ability to provide community infrastructure and services.

Now, turning to the subject at hand. As a general statement, the loss of revenue sharing funds in our region has resulted in diminished services to our citizens and to a delay in the provision of basic improvements to our infrastructure.

In the first instance, you can draw the conclusion that some of our citizens have experienced a lower standard of living as a result of the loss of revenue sharing. As examples, we have seen cutbacks in funds to senior citizens centers and senior citizen transportation programs, as you mentioned. Cutbacks in police and fire departments and rescue squads, schools, recreation, street paving and so forth have also occurred.

The second instance, by delaying needed capital improvements, we are simply creating problems down the road, which in all probability will cost more to construct then they would if they had been built in a timely fashion.

Another impact, which will not be felt for some years, relates to our debt service. With a loss of revenue sharing funds, a government's first alternative to raising taxes or reducing services, is to increase its bonded indebtedness. While I have seen no definitive studies on the magnitude of this impact, I think it is worth noting and calling to your attention for future research.

In arriving at these general conclusions regarding the loss of revenue sharing funds, our staff at the Development District polled several of our local elected officials in an effort to sample local impacts and I will share this information with you in a brief and summary fashion.

In the Town of Greeneville, which had a 1985 population of slightly over 14,000, Greeneville lost $357,000 in the last year of operation. Originally, revenue sharing funds were utilized on capital improvements and in later years the city made the decision to shift those funds into the operating budget of the school system. No fiscal adjustments have been made as yet and services across the entire city budget have been impacted.

Elizabethton, with a population of slightly over 12,000, lost $300,000. In the case of Elizabethton, revenue sharing funds underwrote the entire general fund. They have been forced to cut services generally. They are presently unable to make necessary improvements which they would like to make and have reduced making capital purchases.

In Carter County, with a 1985 population of 51,700, the government lost $226,000. Revenue sharing funds were divided one-half to schools and one-half to miscellaneous services. No fiscal adjustments have been made as yet. If the budget were to be maintained at revenue sharing funding levels, it would result in a 19¢ increase in property tax. I would point out also that the 1984 per capital income of Carter County was $7,618 as compared to a national per capital average of $12,700.

The Town of Rogersville, with a population of 4,300 persons, used revenue sharing funds for equipment purchases, senior citizens services, rescue squad and vocational rehabilitation services. No fiscal adjustments have been made.

In Bulls Gap, a small community in Hawkins County, with a 1985 population of 821, they lost $15,000. Those funds were used for police salaries and equipment and for the maintenance of city streets.

Washington County, with a 1985 population of 92,100, used revenue sharing funds for education. To replace those lost funds would require a 6¢ property tax increase, although no fiscal adjustments have been made as yet.

And in the City of Bristol, with a 1985 population of almost 24,000, revenue sharing funds were used for capital equipment and improvements. To replace those funds would require a 20¢ increase in the property tax. Bristol has reverted to some use of long term borrowing to replace the revenue sharing funds for capital purchases.

Hancock County, 1985 population of 6,900, has lost some $100,000. Revenue sharing funds were used for the Sheriff's Department and schools. And to replace those revenue sharing funds, a 45¢ tax increase in property tax was necessary. I would point out, also, that Hancock County is one of the poorest counties in the Nation and in 1984 the per capital income in Hancock County was $5,296 as compared to the national average of $12,700.

The Town of Erwin in Unicoi County, has a 1985 population of over 4,000 persons. Revenue sharing funds were used for equipment purchases and for mental health and senior citizen transportation services. No fiscal adjustments have been made.

In Mosheim, with a population of slightly over 1,500, they lost $12,000 revenue sharing funds which were used for street paving, fire protection and recreation.

The Town of Jonesborough in Washington County, with a population of almost 3,000 persons, lost $26,000. Revenue sharing funds went into the general fund budget. They have cut services for their tourism and promotion efforts and to their library. And that would require a 10¢ property tax increase to replace those lost dollars.

I would point out, additionally here, that as an indirect cost of cut in tourism funds, The Regional Tourism Council was cut by Jonesborough a sizeable amount and that reduces the overall efforts to encourage tourism for economic development purposes.

Now, as you can see from this sampling, we are experiencing no new revenues being generated locally, but rather a reduction in expenditures for services and capital improvements. You have others on today's program who will go into more detail regarding specific examples and I don't want to intrude on their area.

In concluding my comments, I would like to reemphasize the relationship between a low per capita income, high unemployment rates and the ability of the community to increase its taxes. It is very difficult for local officials to support local tax increases on the property of an unemployed family. The impact of the loss of revenue sharing funds is much more severe on communities in adverse economic conditions than on those which are experiencing good times.

Senator **Sasser**. Well, Tom thank you very much. In summation, what you've detailed for us, I think very well, is the impact on the eight counties in upper East Tennessee of the loss of general revenue sharing funds. And this loss has come at a time, in your testimony, in which local unemployment has increased from 6.7% to 8.7%. This occurs in an area where the per capita income or earnings per person are about one-quarter below those of the national average. So, what we have is low per capita income and relatively high unemployment. This makes it very difficult then for local officials, county judges, and mayors, to go to the local citizens and ask for higher local taxes to make up the difference in what they've lost in revenue sharing funds. What options are available to these local communities faced with the loss of their general revenue fund?

Mr. **Moore**. Well, obviously, what we're experiencing to date is local officials doing their best to make do without the funds by trimming budget categories where they feel they can do so without impacting too severely on the citizenry. Obviously, you go into lower priority items such as recreation and such as that first. But we've seen some instances were funds to support various senior activities have been cut to the point that we are in danger of, I think, now of losing an adult day care center that operates for mentally disabled individuals. That's not the same as a regular senior center. We see funds there being reduced to the point that the organization may have to close down.

Senator **Sasser**. Now, with regard to the capital improvements, improvements to roads, and the like. You indicated that much of the work or some of that work is just having to be deferred as a result of the loss of general revenue sharing funds. So, what we're experiencing is putting off the time, I judge, when we're going to have to meet these problems. In other words, we're allowing the infrastructure in some areas not to keep pace or to deteriorate slightly because maintenance is not being kept on it yet at some juncture the problem is going to have to be addressed down the line, isn't it?

Mr. **Moore**. That's true. When I was City Manager in Bristol, we put all of our funds into the capital improvement category for purchases. What we would, in effect, do is delay the purchase of a needed bulldozer or some sort of a street maintenance piece of equipment and delay further the work that needs to be done and which, of course, will cost more by the time it gets around to being done.

Senator **Sasser**. What troubles me about the whole concept is we're here in an area where we have per capita income that is 25 percent below the national average, an area in which you've got unemployment running significantly above the national average and where we're trying to attract new industry to this area to take up the slack from the jobs lost. And one of the ways, the principal way, in attracting new industry is to have an attractive well planned community with plenty of community services, including a good infrastructure of roads, water, sewer, recreational activities and also a good educational system. But with a loss of general revenue sharing funds, we're seeing fewer funds going into improving the community and as a result, I fear a continuing downward spiral in our ability to attrack new industry. Is that a valid fear on my part in your judgment?

Mr. MOORE. I think you're right. And I would like, if I could, expand on that a bit. At the time we're losing revenue sharing funds, we are maintaining the categorical grants in a reduced format. Nevertheless, there are still categorical grants out there. A problem that we have locally, is that revenue sharing funds that were something that we could count on in budget five years down the road.

A categorical grant is a item that you don't know that you'll be able to receive or not. Also, as you are well aware, at certain times in the budget process they can become prone to pork barrelism, if you will. It's a tool for local officials to have revenue sharing coming in foreseeable amounts of dollars over a 5 year time period so that you can program these infrastructure improvements and know where your revenues are coming from. You cannot depend on categorical grants for two or three years down the road.

Senator SASSER. So, you can't do long term planning that you really need as a municipal planner with categorical grants. One final question. I'd like to get your comment on the concept of targeting fiscal assistance to communities that do have chronic high unemployment and that do have a low level of total taxable resources. Give me your views on this concept.

Mr. MOORE. I very definitely support that concept. You mentioned Beverly Hills, we also have our Belle Meades and Germantowns in Tennessee. It seems that we have our Hancock Counties. It's a hard fact of life that some areas in our State and in our region have not reached what I referred to as a threshold competition where they can maintain themselves competitively against their neighbors. By targeting funds to these impact areas, you give them an additional tool without which they have no hope of competing for the industries that we're trying to attract. They have no hope for putting that infrastructure in. So, I don't think there's any other way to approach the thing, but trying to target to areas of need.

Senator SASSER. Well, Tom, thank you very much. We've made a lot of progress here in Upper East Tennessee, but I fear if we're not careful we're going to see some sliding back and some retrogression and I'm going to try to work hard to see that we do get this targeted assistance program. Thank you very much.

Now, our next group of witnesses will be a panel and will consist of Judge John Hankins, who is the County Executive of Greene County. Judge Hankins, please come forward and take a seat. And Doug Price of Hawkins County. Judge Price, if you'll come forward.

Let me say that Judge Hankins was born and raised in Greene County and was elected County Executive in 1982. Before being elected County Executive, he served 31 years in the public school system where he rose to the rank of Assistant Superintendent. Judge Hankins received a Master's in Education from East Tennessee State University in 1961.

He is joined by Judge Doug Price, who was elected County Executive of Hawkins County in September of 1986. And prior to that, Judge Price worked for 21 years at Citizen's Union Bank where he became Vice President of Operations. He received a Bachelor's degree in Accounting and Economics from East Tennessee State University. In 1962 he served as President of the Rogersville Chamber of Commerce.

Gentlemen, I want to welcome you here today and ask you for any opening statements that you might wish to make. Judge Hankins, since you are senior in service as a County Executive, we'll go with you first. I'm a great believer in the seniority system and the more senior I get, the more I believe in it. So, we'll start with you.

TESTIMONY OF JUDGE JOHN HANKINS, COUNTY EXECUTIVE, GREENE COUNTY, TN, AND JUDGE DOUGLAS PRICE, COUNTY EXECUTIVE, HAWKINS COUNTY, TN

Mr. **Hankins**. Thank you, Senator Sasser. I have prepared a statement that I would like to give to you.[1] My name is John Hankins. I'm currently serving as County Executive of Greene County. I've served in this position since September of 1982. Prior to assuming my current position, I spent 31 years as an employee of the Greene County school system. During my tenure with the school system, I had experience as a classroom teacher through the administrative level. Let me tell you just a little bit about Greene County. Greene County ranks 16th in size according to the population as enumerated by the 1980 census.

Senator **Sasser**. Ranks 16th?

Mr. **Hankins**. Ranks 16th. The County has an area of approximately 613 square miles which places it among the larger of the 95 counties in the State. The County has four incorporated areas, the largest being the County seat, which is Greeneville and three other incorporated areas, the Town of Baileyton, the Town of Mosheim and the Town of Tusculum.

Greene County provides those services being provided by most other counties located throughout the country, including education, construction and maintenance of roads, law enforcement, health, sanitary waste disposal, emergency medical services, etc.

The county has a labor force of 27,740 people. And as of April, 1987, 12% of those folks were unemployed. You may note that this is one of the higher rates of unemployment in the area. My purpose here today is to express to you my deep concern about the importance of the general revenue sharing program, which has become a part of Greene County's financial planning for the past several years.

General revenue sharing monies have been used in our County to assist in roads and highways, airport improvements, law enforcement activities, health and sanitation. With the major portion going for education of more than 10,000 youth in the public schools in Greeneville and Greene County. To emphasize the significance of the amount of money that's been received by general revenue sharing and to show the importance that it plays in financial planning, let me point out to you that the city and county have been receiving over the years approximately $800,000 annually. When these funds were discontinued, this meant that the residents of the City of Greeneville had to provide replacement funds which amounted to almost 31¢ in local property tax. The loss to Greene County amounts to 16¢ in local property tax.

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[1] See p. 115.

In addition to all the general uses and improvements which general revenue sharing funds have made possible for Greene County citizens, let me point out two particular instances in which the loss of these funds has made a significant difference during the recent past. During April of 1987, the Greene County school system faced a financial condition which the superintendent referred to as a crisis situation. Because of the crisis experienced by the local school system, 85 employees were laid off because of lack of funds to continue the operation of the school system at its current level for the remainder of the year. If Greene County had been receiving the revenue sharing funds, I am most confident that we could have prevented this condition from occurring in our county.

Let me make a second point that is of current origin. During February of 1984, the U.S. Federal Court ordered Greene County to construct a constitutionally sufficient jail. After the county had been ordered to construct this jail, it immediately went about setting some sort of priority in accumulating funding to pay for the construction. General revenue sharing was one of approximately six sources of funds that were pooled to assist in the payment of this construction. One of the reasons for the use of the general revenue sharing funds was the local citizens in great numbers insisted that if the Federal government was going to mandate such a project to be completed, that there should be some kind of financial assistance from the Federal government to help meet the demand. The only Federal money available at that time was the general revenue sharing money.

Greene County has followed the policy since I've been in office of only obligating the general revenue sharing funds which had been received or were currently available. In other words, we do not obligate monies that have not been received. That is why I am extremely confident that we would have had a pool of funds to assist our local school system when they approached the crisis situation.

Let me give an example of a personal situation that resulted because people were laid off in the local school system. My wife serves as a librarian at a local Greene County High School. A young lady with three children, who has the responsibility of those children, was an employee whose job was terminated. She has full responsibility for the expense of the home and the children.

Another example is in an elementary school. A lady who lives alone has a grown daughter and full responsibilities of the home. Her job was terminated. She had to seek employment in some of the local homes to compensate for the loss of wages because of the termination of her job. My son and I provided some employment for this lady in order for her to receive enough money to meet the payments for the bills that she has had to make.

Gentlemen, revenue sharing money is very important to the economy of the people of my county. It is one source of money that the citizens of my county sent to Washington which, in the past, has been returned to provide some of the necessities and hold down some of the local property tax increases which appears to be impossible to retain any longer.

My county is currently looking at a sizable increase in local property taxes. Should we have continued to receive a portion of those monies which our citizens sent to the Federal government, it would be a great relief to our taxpayers. It is my sincere hope, Senator, that we can support with all vigor your future efforts to restore a portion of those funds which have been taken away.

Thank you very much for this opportunity to appear here and I'll be happy to answer questions.

Senator SASSER. Thank you, Judge Hankins. But, before doing that, we'll hear from your colleague. Judge.

Mr. PRICE. Thank you, Senator, and I appreciate the opportunity of coming here today and you taking the time from your busy schedule to help east Tennessee and other Tennesseans and other citizens of our great United States. Hawkins County encompasses approximately 480 square miles with a population of approximately 44,000. We have a tax base of $188,000,000.

When we figure our budgets for the general fund, the roads, the bond funds, we calculate on a basis of 90%. The collection rate this year has been approximately 94%, but as you know, when you have a tax raise your collection rate not only lags, maybe yearly, but you begin to have a cash flow basis when you increase taxes. A lot of people wait to the last minute to pay them. So, we figure $16,900 per penny of property tax. Our property tax brings in approximately 29.4% of the funds of the general fund.

Our other funds are fines, fees, State revenues, grants, but the tax rate in Hawkins County in '84–'85 was $4.28, '85–'86 was $4.28, '86–'87 was $4.36. '87–'88 we're looking now at $4.71, which is a 35% tax increase. This increase would go to the general fund which would have a share at 79¢, schools at $2.58, the road fund at 62¢, our bond and interest funds at 72¢, for $4.71

Our school system is experiencing problems with buses. We have a bus shop that has a leaking roof that we can't fix. We have school teachers who haven't had a raise in 5 years. A local raise to non-certified people who have not had raises. The school system now needs approximately $400,000 to $500,000 to attempt to operate in the same situation that they did this year.

I'm sorry to say that a lot of the revenue share of money in past years did not go directly to school operations. I feel like we could have used it better in some schools, but I'd like to go through a few things that we have used revenue sharing for.

Senior citizens. One year we spent $32,500 on dirvers. Now, the county picks up those drivers. Those are three of what we call "in kind" drivers. We pay their salary but they work through the Senior Citizen's program. By furnishing these drivers, we have the vans in our county, that we can use for the senior citizens or mass transportation. Anyone can ride the van. But now, due to cutbacks in other funds, the people also have to pay to ride these vans.

But the Human Resource Agency also contracts with Helping Hands of Hawkins County, which is an employer and school of handicapped, and they bring those people to the schools and, I believe, that contract is worth about $39,000 to their program. So, if we drop our three drivers, we would have many problems, not only with senior citizens but with the Helping Hands program.

The insurance. One year we paid $90,000 of insurance. Highway Department—$147,000 for rock and gravel. School buses—$169,000. Rescue Squad—$20,000. Just this year the schools' $69,000 electric bill, a portion of their $700,000 to $800,000 electric bill. Highway Department—$33,000. Insurance—$13,500. One year the Highway Department—$90,000. Insurance—$70,000. Schools using the buses—$99,000. Rescue Squad—$10,000. We have a point now that we have to pay our insurance. Our insurance this year is going to be over $300,000. The insurance is increasing the funds that we use for revenue sharing.

We have to pay our workmen's comp, $45,000 this year. We've been paying some of that with revenue sharing. We must continue to improve our roads. We have seen $147,000 in gravel. We need to put more gravel on roads, but we also need to complete paving our roads. We need to replace more buses. We've lagged behind in the last 2 or 3 years in the number of buses that we've replaced. We must pay the electricity for the schools. We need to get the teachers a raise. Our rescue squads, we have to fund those. An ambulance today would probably cost close to $40,000. Two to three years ago, you could have bought a van ambulance for probably $12,000. We have to meet the needs of our senior citizens, our handicapped students.

We have fire departments that we have in the county—voluntary fire departments—that we have to meet the needs of.

What we end up is we have a cut in services, a raise in taxes or a generalization of both. But the thing that really brings to light is also the general rise in our expenses due to inflation. We cannot fund the current levels. We could not fund our current levels last year. We had an 8¢ tax increase. We had a 35¢ this year. Our tax rate is one of the highest in the State. Our commissioners today are unwilling, or have been, to raise taxes any more. We met five budget meetings. The Commission met three times. We recessed twice attempting to fund a general fund budget that the surplus, the budget surplus for the coming year will be $10,000. This is minimum funding requested to fund the budget.

Sure we'll come up with some extra money. We figure on a 90% collection rate. But just this last year, for instance, in the road fund, 62¢ goes to the road fund. In December, we had to borrow $100,000 tax participation notes due to the lag in collection. We'll find that again this year that we'll have a lag in collections. Twenty six percent, approximately of our tax revenues come in before Christmas or the first of the year. The majority comes in January, February. And if you raise taxes, I'm sure that most people will be just like when you pay your light bill and it's got a discount date, they like to keep their money as long as they can.

And that's the same problem that you've heard from Tom Moore, Hunter Wright, John Hankins, that you'll hear all over the State of Tennessee and I'm sure the other States. That we need help. I don't know the answer, but I would like to see some of the revenue sharing funds brought back. I don't like funds with strings on them, but sometimes maybe they need some strings. A little loose strings to keep us from spending money on insurance. That to me is not a viable place to spend your revenue sharing, knowing that you might lose that money one day.

And if 10 years ago or 5 years ago we may have made a change in how we spent some of our money, we wouldn't have the problems we've got today.

The school buses, that would be a good way to spend some funds. We see something that we can replace. We might have paved some roads. The monies that we give to rescue squads. When we fund $20,000 to a rescue squad, they can barely operate now. We fund $120,000 in Hawkins County to rescue squads and at a minimum operation schedule when you have to buy $40,000 ambulance, you don't have any extra funds. There's a lot of things I think we can do if we get revenue sharing back. I'd like to have some of the dollars back for my taxpayers.

Senator **Sasser**. Thank you very much, Judge Price. I must say to both of you here in all frankness, we're not going to get the general revenue sharing program back the way we had it before. That was a $4.6 billion program. It was of enormous help to our city and county government here in Tennessee, particularly in the areas that were hardest hit. But the facts of life are in this time of fiscal austerity, the general revenue sharing program, as we knew it, is just not in the cards for the next few years.

What I'm seeking to fashion and get passed now in the Congress, as an interim program, is legislation for targeting local fiscal assistance. This would send revenue sharing funds to the localities which have chronic high unemployment and have a low taxable resource base. I think that certainly both Greene County and Hawkins County, under the legislation that I will be sponsoring, would certainly be eligible. For example, with a 12% unemployment rate in Greene County, I don't think there's any doubt but what they would be—Greene County would be eligible under this legislation. What is the unemployment rate in Hawkins County, Judge Price? If you said, I didn't write it down.

Mr. **Price**. Between 7½ and 8, 8.1. We've been rather lucky in that we don't have the rate as some of the other counties.

Senator **Sasser**. Well, I'll ask both of you. Do you wish to make a comment, Judge Hankins?

Mr. **Hankins**. I just wanted to ask you how the legislation would be identified that you propose to introduce. Is it going to have a title or a number that we should know at this time?

Senator **Sasser**. Well, we can't give you a number at this juncture, because we haven't formally introduced the legislation. We're still in the process of developing and it's a rather complicated process because we've got to do a lot of computer studies of various data, unemployment rates, tax base, tax effort, for example, in cities and counties all over across the country and finally draw a formula for allocating the funds that we think would be fair and equitable and, at the same time, attract the political support in the Congress that we need to get it passed.

But if you wish to write us about it, just refer to Targeted Assistance for Cities and Counties and that would certainly get it.

Please write us before August because the legislation is going to be—we hoped to have it introduced by August and be well on the way to trying to get co-sponsors to help get it passed. Let me ask both county Judges this question. Do you anticipate trying to replace the monies that your county has lost due to the elimination of general revenue sharing through additional taxes or are you trying to make up the difference by cutting services or just how are you approaching it?

Mr. **Hankins**. We've approached it by reduction in services, with considerable reductions in the local school system. And I think, perhaps, the people who suffer the most of that is the kids that are going to be citizens in a few years and have to pick up and do the things that we should have done for them now. I guess one of the excuses that I'm using for looking at an increase in taxes this year is to replace about $450,000 in revenue sharing money that the county has been able to use in this financial planning over the years that we currently don't have.

Senator **Sasser**. Right. How about you, Judge Price. Are you cutting services, raising taxes, or what are you doing to make up for the loss of revenue sharing?

Mr. **Price**. We have cut some services. In areas of the rescue squads, we did cut the rescue squads 10% last year. From $120,000, we cut $12,000. This year, we funded them back the $12,000. But we've got a 35¢ tax increase. So, that portion we've taken. We have not cut any services on our insurance because we still have to have our law enforcement insurance, our insurance on our buildings, our liability insurance, our workmen's comp. So, we have had to make thoses funds up with tax dollars, plus making some cuts from some of the other services.

Last year we had a general 10% decrease. We had a library that we fund—the libraries in Hawkins County have cut their services. We have cut funds to the Nolichuckey Mental Health that has offices, I believe, in Greene County, too, John. They have two offices in Hawkins County and we have been giving them $20,000 and they are going to be down to maybe $18,000 this year. So, we've made several cuts on that or tax increase on that side.

On the road side, we haven't increased property taxes, we just won't put as many rocks on the road. Somebody said "the wheel that squeaks the most gets the most grease". So, those people that call the highway department with the biggest problems probably get the most of the rock. That's an intangible item.

Senator **Sasser**. Judge, I wouldn't say that. You're getting ready to get inundated with telephone calls here.

Mr. **Price**. I get them every day. But, this is one of the problems that you don't see as much maybe, a little drop in road service. That would be a big drop that you won't see like you would if you just cut a senior citizens or ambulance service out.

Senator **Sasser**. Gentlemen, thank you very much for being here this morning and giving us the benefit of your views, you have been very helpful in helping us build a record that will graphically demonstrate to my colleagues in the Senate just how these cuts are impacting on a daily basis at the local level and what they are doing to programs, essential programs, on a local level, like education, for example in Greene County, Tennessee, where it's critical and crucial. We're going to work hard and if you have got anything to tell us, any more about this legislation, please feel free to write us or call us.

Now, our next panel will consist of Judge Curtis Sluder, who is the County Executive of Johnson County and Ms. June Elliott, who is the Executive Assistant to Judge Fred Congdon of Unicoi County.

Judge Sluder is a graduate of East Tennessee State University and a former teacher in the county school system. In 1970, he was elected to the County Commission and in April 1986, elected County Executive. He was born and raised in Johnson County.

Ms. Elliott has worked in the county executive office since 1968. Prior to that she was a mother and homemaker. She was born and raised in Unicoi County and is representing Judge Fred Congdon who is unable to appear here today. I what to welcome both of you and we'll begin with you, Judge Sluder.

TESTIMONY OF JUDGE CURTIS SLUDER, COUNTY EXECUTIVE, JOHNSON COUNTY, TN,[1] AND JUNE ELLIOTT, EXECUTIVE ASSISTANT TO JUDGE FRED CONGDON, UNICOI COUNTY, TN [2]

Mr. SLUDER. Yes. I want to thank you, Senator, for giving me the opportunity to appear before you and this Subcommittee.

The loss of revenue sharing has had a tremendous negative impact on Johnson County and I commend you for your interest in seeing that some type of revenue sharing program is reestablished.

Johnson County is one of the most rural counties in the State and even with our best effort, our lack of an adequate tax base, high unemployment, which averages 16.2% for 1986, plus State mandated expenditures, help make us fall short in providing needy services and jobs to the residents of our county. Our present tax rate of $4.80 per hundred is effectively taxing our residents at a higher rate than over two-thirds of the other counties of the State. With all our demands on a local budget, we aren't even able to take advantage of offers of help. The County commission turned down a $90,000 matching grant this past year simply because they felt they couldn't afford the operating and maintenance on the larger building. The School Board had to return $5,000 to Levi Strauss, to Levi Strauss CIT because they couldn't come up with the local match for an athletic track at the high school.

Revenue sharing money was used wisely in Johnson County. Back in '73 and '74 we had a new hospital and it was opened just a few short months and closed. And in that year, alone, $154,000 of revenue sharing money was earmarked and used to start the hospital and get it back in operation. Of course, this ran since 1974, but it is back in trouble again.

We bought road graders, dump trucks, whatever for the Highway Department. The rescue squad has been a large recipient of the money, the revenue sharing money. Aproximately $30,000 a year is their budget but that's less than 20% of what they spend. The fire departments, eight fire departments in the County. The year before last, $20,000 in reveune sharing money was divided between that eight fire departments; last year that was cut. The County actually provided, $12,300 in money, and the local fire departments spent $90,000. They made up that difference on their own. So, without a little bit of help, possibly to cover the insurance, and their heating to keep their building open and anything else or equipment, they have to raise up on their own. With us being a rural county, if we couldn't keep the fire department going a lot of people throughout the County would not be able to get any insurance at all on their homes.

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[1] See p. 121 for Judge Sluder's prepared statement.

[2] See p. 124 for Ms. Elliott's prepared statement.

We have spent money on school buses, athletic department, band uniforms and band equipment, senior citizen centers, civil defense, library, drug and alcohol programs, the health department, a grain house was bought for the vocational school, the juvenile detention center in Johnson City has received part of that money.

As I said, revenue sharing money was used wisely in Johnson County. We didn't build centers for the performing arts, we upgraded our schools. We didn't build bike and jogging trails because our county roads were unpaved and neglected. We presently could be compared, I guess, to a drug addict who's lost his supply and we're experiencing revenue withdrawal symptoms. I'm sure the county could have lessened the symptoms by using the money on non-essential items and services, but we didn't do that. It's hard to spend money unwisely when you're already unable to provide the basic needed services.

The cooperative attitude between Johnson County and Mountain City has begun to deteriorate under repeat fiscal pressures. The city has dropped their support for the County Investigator, Senior Citizen's Center, library, Mental Health Center, Civil Defense, Juvenile Services Officer and other areas. Their sole reason for no longer aiding the county with these worthy items is that they have lost revenue sharing.

So, you can see we presently have less and less to deal with more and more. And a letter from the Town—I'll read a little of it. It says, "As you well know, this year's budget was thin and the support area with the exception of Rescue Squad, we cut all other support". And believe you me, they did.

However, where the loss will be felt the most is in our Public Works Department where new equipment and vehicles are needed. I honestly do not know how we can replace these vehicles or equipment. We will also have to raise the tax rate.

As you are well aware, our city and county have a very depressed economy with high unemployment. The loss of approximately $50,000 per year Federal revenue sharing—now this is the Town of Mountain City, has had and will continue to have a dramatic effect on our City and the residents.

With Federal budget cuts, we not only lost general revenue sharing, which was direct to the county, we're losing money from the State of Tennessee. The county is now having to pick up a much larger share of Federal and State mandated and initiated programs.

Local governments certainly aren't motivated to heap praises upon the creators of new programs and regulations, especially when the cost has shifted to the local level where the tax base is not sufficient to fund them. At times, the small county like Johnson is at a disadvantage just because it's small.

This past year, the State, in its infinite wisdom, decided that we had to purchase a front end loader before we could properly operate our sanitary landfill. We already had a dozer and other equipment, but they felt like we needed a front end loader. 14,000 people in Johnson County bought one. In Carter County, 50,000 people would have been able to purchase that loader and in Sullivan County 150,000 people. So, even though we're taxing ourselves at a higher rate than the average county in the State, we still come up short, partially because of the built-in cost of doing business.

I think it's obvious that local governments presently enjoy more Federal and State regulations and less money to enjoy them with. I can assure you that the position local governments find themselves in today is not an enviable position.

The county is presently utilizing all three measures at its disposal to generate revenue. The property tax, wheel tax and sales tax. We feel these rates are high as they can be without being counterproductive. With the loss of $170,000 in revenue sharing for the 1986-87 budget year, the headline in the local paper was, "Taxes Go Up, Services Cut." This past year the Commission approved a record 84¢ tax increase which, in effect, was 23%. We've gone through a taxpayer revolt.

The senior citizen's center was cut from $21,000 to $11,000. We had two meal sites, one meal site was closed for several months and we never did get the money back in to provide transportation. So, the area and the county and Shady Valley do not have transportation to or from the sites. They volunteer—some people that do drive and take others.

Rescue Squad funds were cut $10,800. Eight fire departments I've already mentioned were cut. The library budget was cut from $7,000 to $4,000. The Sheriff's already inadequate budget was cut $25,000. And our unpaid county employees only had a 3% raise during the last 6 years. And they definitely deserve a raise. I'm not attempting to blame loss of revenue sharing as being the creator of all these problems, but it most definitely played a part and without it will take much longer for conditions to improve. Local governments are in the eye of the storm without the means to adequately cope with what is expected of them. An appropriately designed revenue sharing program will most definitely make the home front a most better place to be. I certainly hope you're successful.

Senator SASSER. Thank you, Judge. We'll hear now from Ms. June Elliott.

Ms. ELLIOTT. Senator Sasser, I'm delighted to represent Unicoi County and my boss, County Executive Fred Congdon here today. I have worked in the Office of the County Executive since 1968. I have seen and experienced many changes in county government during these many years. Some of these were brought about with the introduction of the general revenue sharing fund in 1972.

In order to better understand the impact of general revenue sharing programs on Unicoi County, there are some facts about the county that I feel that you should know. These facts are: We are a small county with a population of 16,362. Of this number, 24.4% are under the age of 18. These are young people who must be educated in the Unicoi County school system. Also, of this number, 20.2% are 60 years of age and up. These are persons who are either retired or approaching retirement, who must for the most part live on fixed income.

The land area of Unicoi County is 185 square miles, which makes it the smallest county areawise in the First Tennessee Development District. However, this gets worse. Forty-seven percent of this area is owned by the U.S. Forest Service. An additional 7% is owned by other governmental entities or is tax exempt giving us a tax base of only 46% of the land in Unicoi County.

The unemployment rate average was 11.3% in 1986. In March of this year, it reached 12.1%. Unicoi County has suffered a devastating loss of jobs and revenues due to the merger of the Clinchfield Railroad into the Seaboard Coast-lines System. It is estimated approximately 100 families have moved from the county. We have felt the loss of these salaries. All merchants and businesses have suffered losses. Some have closed. Not only have we felt the economic impact of this change, we have also felt the social impact, especially in community leadership and civic and educational projects.

For many years, Unicoi County was dependent on the tax revenues from public utilities, especially the railroads. However, due to the 4-R Act, our Public Service Commission assessment has decreased from $700,435,000 in 1980 to $400,803,000 in 1986.

Now, the question. What is the fiscal impact on local government as a result of the loss of revenue sharing? I could almost say it's the straw that broke the camel's back. But we're trying to cope. As revenue sharing funds have diminished, we have had to cut back on services, raise taxes and some expenditures have been put off to some future time. For instance, our rescue squad requested funds for new equipment in last year's budget, which could not be funded. This year the request is for $22,282 above last year's appropriation. This amounts to a 3.8¢ increase in the tax rate. The schools have been receiving $50,000 from revenue sharing for the past three years for general operating expenses.

This year there are no revenue sharing funds. This amounts to another 8.5¢ increase on the tax rate. The County Commission raised taxes in 1984, 1985 and again, in 1986.

The Budget Committee is certainly facing a dilemma in preparing the upcoming budget. How much can you raise taxes when approximately 12% of the families are already living below the poverty level? Or what services can be eliminated without seriously affecting the health and welfare of the community?

I believe that Unicoi County has been unique in management of revenue sharing funds. Every citizen has benefited not only in a light tax burden, but also culturally and socially.

Revenue sharing has helped in funding libraries, the local museum, the senior citizen's center, the mental health center, a regional juvenile facility, etc. To share an example with you, $5,000 went toward helping the Limestone Cove community renovate an old abandoned school house into a community center. This has become a hub of community activity for both the young and the old. It also serves as a very nice place to hold elections in that precinct.

Another example of community spirit and its result, the County Commission agreed to appropriate $10,000 of revenue sharing funds toward buying materials for a much needed new field house and a Little League ball field. Other materials were donated by businesses, voluntary labor was used to construct both.

The results. Since 1984, Unicoi County has had State Championship teams in football, basketball and baseball. Many high school seniors have won college scholarships in all sports and this year one young man has been chosen for a professional baseball team. A small appropriation bought a lot of community spirit and togetherness.

The project that many Unicoi County citizens are most proud of is the courthouse, which was constructed and equipped with the use of revenue sharing funds. We call it the house that revenue sharing built. Years and years from now when people ask where did your revenue sharing funds go, we can point them to a nice, modern, serviceable courthouse.

Another project which all citizens will continue to profit from is the Unicoi County Industrial Park. Land was purchased with revenue sharing monies and improved with an ARC grant. Today, we have two industries located there. How can we continue to progress as a small county with our limited resources.

Yes, Senator, I believe revenue sharing or some other source of funding should be forthcoming immediately. Small, local governments cannot continue to fund all basic services for its citizens at an acceptable level without some help. Unicoi Countians feel they have been good stewards of the funds entrusted to them in the years past. Our present County Commission and elected officials are dedicated to the continuance of this policy. Thank you.

Senator **Sasser**. Thank you very much, Judge Sluder and Ms. Elliott. The testimony that you have given us today, reenforces and strengthens my commitment to the idea that we need a targeted approach to those communities which are most in need. For example, Johnson County, with an unemployment rate of over 16% and Unicoi County, with a large youth population, a large population over the age of 60, and 12% of the people living under the poverty line—clearly, these communities have suffered disproportionately from the loss of general revenue sharing funds. Clearly, a targeted approach of Federal assistance to these County governments and City government, I think, would be the most cost efficient means of delivering a modicum of Federal help to local government at a time when we've got a problem with our fiscal situation at the Federal level.

So, I thank both of you for appearing here today and for giving us the benefit of your testimony. It will be extremely helpful and will be used to build a record that will be used to substantiate our calls for targeted Federal assistance to local governments.

We're going to leave the record open until July 22 for any additional statements or materials that interested citizens might wish to submit. This additional material may be submitted directly to our office at Washington, at the Russell Senate Office Building, or to my office here in the Tri-City Airport.

I thank all of you for attending, particularly the elected officials for taking time out from your very busy schedule to give us the benefit of your views on a matter which is crucial and of critical importance to local government, not just here in upper East Tennessee, but indeed, all across the Country. Thank you very much and these hearings are adjourned.

[Whereupon the hearing was adjourned to reconvene at the call of the Chair.]

LOCAL FISCAL IMPACT OF THE LOSS OF GENERAL REVENUE SHARING

MONDAY, JUNE 22, 1987

U.S. SENATE,
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY,
FEDERALISM, AND THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Nashville, TN.

The Subcommittee met, pursuant to notice, at 2:30 p.m., in room 16, Legislation Plaza, 6th and Union Streets, Nashville, Tennessee, Hon. James Sasser, Chairman of the Subcommittee, presiding.

Present: Senator Sasser.

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. Good afternoon. I want to welcome everyone here this afternoon. Most particularly, I welcome our distinguished mayors and county executives who have come here today to share their knowledge and wisdom with the Subcommittee on Government Efficiency, Federalism, and the District of Columbia, which is a Subcommittee of the parent Governmental Affairs Committee and a Subcommittee that I have the privilege of chairing.

We are going to hear from these distinguished Tennessee officials on the problem of crucial importance to local governments in Tennessee, indeed all across the Nation. And that is, what's to be done in the aftermath of this loss of the General Revenue Sharing Program.

Since its inception in 1972, the General Revenue Sharing Program has been one of the most well-received federal programs ever devised. It's helped local officials all across this Nation provide the local services that are essential, down where the rubber meets the road in the communities and townships and counties of this country. It's helped these local officials meet their responsibilities with a minimum of red tape.

It's provided much needed fiscal assistance to local governments, particularly those with high unemployment and with diminished local tax bases as a result of low per capita income and other problems.

Revenue sharing has permitted local governments to finance programs of their own choosing, programs that are needed by the citizens of their communities to suit the particular needs of a community, rather than programs that would be dictated by some distant agency in Washington, D.C.

In the state of Tennessee alone, our local governments have received some $90 million a year from revenue sharing. Many local governments with high unemployment and low per capita income have looked to general revenue sharing as the only assistance that they've received directly from the Federal Government.

I'm sad to say that the General Revenue Sharing Program, over my very strong opposition and that of many of my Senate colleagues, was ended in October of 1986.

We fought particularly hard to save it for Tennessee, because even though we've made enormous progress in our State, even though we have some areas of low unemployment, and relatively high per capita income, like Davidson County, we still have many areas in our State that have not shared and are not sharing in the general prosperity.

As the consequence of local and State revenue sharing being phased out, many of our local governments saw their federal aid budgets reduced substantially.

As a matter of fact, this morning we were in the Tri-Cities and heard testimony from a number of county executives and mayors. And we're here in Nashville this afternoon.

But the county executives and mayors of the Tri-Cities said that they saw Federal aid budgets drop very substantially with the repeal of general revenue sharing.

The question that we're asking is, can local governments in Tennessee, and indeed all across the Nation, weather the loss of general revenue sharing? And another question, is there a need for a new targeted revenue sharing program that will help assist local governments that are suffering from the twin plague of high unemployment and lost per capita income?

These are the very governments that find it hard to make ends meet. Those are some of the questions that the Subcommittee will be seeking answers to in today's hearing and also in hearings that will continue in Washington on Wednesday and Thursday of this week, leading, we hope, to the introduction of legislation sometime in August.

Now already we have some preliminary evidence that many local governments are having a very difficult time indeed coping with the loss of general revenue sharing.

A recent survey, for example, by the National Association of Counties, indicates that 64 percent of the counties surveyed had to sharply reduce their local services, and that 28 percent of all counties have not only found it necessary to reduce local services to the citizens, but also at the same time, to raise local taxes.

Now that's a fairly bleak survey indeed. I'm sure that Tennessee local governments, especially those with chronically high unemployment levels, those in depressed rural areas, will face substantial fiscal difficulties with the loss of general revenue sharing.

I might add that the Tennessee Advisory Commission on Intergovernmental Relations in their recent reports, indicates that Tennessee unemployment rates had exceeded the national average for years from 1979 through 1985.

The report also notes the problems faced by persistently low income counties, and that is defined as localities with both personal income and economic growth consistently far lower than the State average.

Now, all local governments will suffer some pain from the loss of general revenue sharing. But some are clearly going to suffer more pain than others. The task before our Subcommittee, with jurisdiction over this whole matter, is very clear. We intend to examine the fiscal impact on the loss of the local revenue sharing, both here and the State of Tennessee and all across the Nation.

We intend to determine whether a new targeted revenue sharing program might be enacted, one that will help local governments with chronically low income and chronically high unemployment weather the loss of general revenue sharing.

At the very least, these local governments are the most deserving candidates for a revised revenue sharing program.

Well, that concludes my opening statement. And it's a great pleasure for me today to introduce a man who really needs no introduction. Our first witness, the Honorable Richard Fulton, the Mayor of Nashville. Let me say at the outset that Dick Fulton has been an inspiration to city mayors all across this country. One only need look at the growth and vitality of Metropolitan Nashville under his leadership to know that something very positive is happening right here.

This has occurred despite a precipitous decline in aid to State and local governments that's taken place since 1980. During that time, while total government outlays actually grew by more than 25 percent at the Federal level, aid to State and local government actually declined in real terms by 25 percent.

So we look forward to hearing from Mayor Fulton, to get his perspective on where we should direct our efforts in order to revitalize our cities and counties.

And I might say that in addition to other signal achievements in his distinguished career, Mayor Fulton has served as the Chairman of the National Conference of Mayors just a short time ago.

So Mayor Fulton, we look forward to hearing from you and getting both a local perspective from you, and I expect also a national perspective.

TESTIMONY OF RICHARD FULTON, MAYOR, NASHVILLE, TN [1]

Mayor FULTON. Thank you, Mr. Chairman, or should I say Senator Sasser or should I just say Jim?

Senator SASSER. Whichever you wish. I'll answer to all three of them.

Mayor FULTON. I first want to congratulate you once again for having received the recognition from the Conference of Mayors as being the outstanding legislator for the past year on behalf of the cities across this Nation. The Conference of Mayors is made up primarily of mayors of cities of thirty thousand and over.

The cut backs in Federal assistance have affected the smaller cities, but they've also had a very drastic effect upon the larger cities such as New York and San Francisco and Los Angeles.

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[1] See p. 129 for Mayor Fulton's prepared statement.

Today I represent local government, cities, the level of government that is closest to the people. When someone is hungry, when they need a place to live or a job, they come to us because we are right here and we do our best to help them.

Because of this, a partnership of service was formed many years ago between the Federal Government and cities. At that time, the people in the Federal Government and in the Congress saw that by joining the resources of the Federal Government and the service delivery capabilities of local governments, our problems could be attacked on the front line by the government closest to the people. That partnership, unfortunately, has changed dramatically during the 1980s.

The Federal Government has almost abandoned that partnership. It has abdicated its responsibility in many instances and left us with the problems, but they have kept the money.

Just when it became obvious that the United States must effectively compete in a world marketplace based on advanced technological skills, funds for the job training were cut in Nashville by over 82 percent. This has left the unskilled worker further behind than ever before.

And how does that unskilled worker, who's very likely a single mother, find a decent, affordable home, when in the past 6 years the Federal Government has reduced it's support for assisted housing over 75 percent?

Here in Nashville the Community Development Block Grant has proven to be a dependable and effective vehicle to deliver housing, economic development and human services to low- and moderate-income people.

Funds for the program has been cut 40 percent since 1980. Federal actions of the past few years do not represent a reasoned and coordinated reform of the Federal system. But rather what has been adopted in a series of unconnected actions which directly or indirectly relieves Federal budget problems by shifting fiscal responsibilities and burdens for health and welfare to local governments.

During this Administration, $20 billion has been cut from key urban services. These Federal actions have caused severe fiscal distress for many cities, forcing local tax increases and reduction in services.

Because of the phase-out of Industrial Development Bonds, cuts in economic development aid, Community Development Block Grants, employment, training and educational programs and infrastructure assistance, cities no longer have the tools they once had to develop local economies and increase jobs.

Because of Nashville's consolidated government and our diligent efforts to maintain a wealthy and growing economy, we are much better off than many cities. But if we were to fund the dollars we have lost through general revenue sharing and employment and training programs, community development, mass transit and assisted housing alone, we would have to raise property taxes 78 cents or 20 percent.

Most urban areas, especially those with an eroded or eroding tax base, simply cannot afford to provide full funding for these programs.

The need for responsible Federal spending is well-recognized. Cities and States know what it means to have to balance a budget. But under current conditions, the weakest among us and those agencies that seek to serve have borne the full blunt of the Federal cuts.

Common decency and the Federal Government mandate that the needs of these people, our citizens, must be met. We cannot abdicate our responsibility. So where does that leave us?

As we mentioned, the U.S. Conference of Mayors recently met here in Nashville. As a part of our proceedings, the Conference adopted a number of resolutions which reflect the needs of America's urban areas. Many of the resolutions address problems which you will encounter in these hearings.

But I think there are two resolutions in particular which address the Federal/city partnership in providing services to our citizens. I have attached copies of these resolutions to my written testimony.

The first resolution calls for stabilizing the national intergovernmental system. In this resolution, we ask that Congress enact a new program of compensatory Federal payments to local governments, permitting the maximum flexibility for use in meeting priority local needs and in leasing the burden of existing unfunded mandates.

The second resolution which I present to you today calls upon Congress and the Administration to enact a program of targeted fiscal assistance for communities and States suffering from high unemployment and other economic problems.

In enacting such a program, we ask that the Congress design a formula for the distribution of program dollars which helps those communities which experience short term economic shocks as well as those suffering chronic long term decline.

These programs, when enacted with adequate funds, could restore the initially intended partnership between the Federal Government and the cities of our Nation.

Nashville is very fortunate in that we have had an unemployment average of approximately 4 percent for about four years now. I think it's standing at 3.9 percent now. So some may ask why the Mayor of Nashville would be interested in targeted fiscal assistance? It's not only from a compassion and a concern, a humane approach, it's also just good business.

We are fortunate in that we have a low unemployment rate. But those areas that have 18, 20, 25 percent unemployment rates are not able to provide some of the services that their citizens need and should have; whether it be in education, whether it be in health care.

So some of those citizens move into the Nashville area or into other metropolitan areas where they have some hope that they will be able to get a job, they will able to receive the services that they need.

For that reason, it's just good sense, good business sense, if we can aid those cities and those States that do have either temporary or chronic economic problems.

Mr. Chairman, I want you to know that I fully understand and appreciate the problems that you have and your colleagues in Congress have as you try to get a handle on the budget, as you try to get a handle on the national debt that we have, and at the same time, you're forced to look at the trade deficit that is probably even more serious than our domestic deficit.

I commend you for taking the time out to come to your home State and to other States to listen to those of us that are on the front line, that are on the firing line, expected to deliver the services. All we want, really, is a fair shake. I know that you have given us that fair shake or you would not have been recognized with the presentation of the Legislator of the Year award.

We want you know also that we will be more than happy to travel to Washington to appear before your full Committee at any time to assist as you attempt to formulate a policy that will be fair and equitable to all. I certainly appreciate once again the opportunity to appear before you.

Senator **Sasser**. Well, Mayor, thank you very much. And just let me say that we have high hopes for the whole concept of targeted fiscal assistance to local governments based on proven need utilizing a formula of low per capita income and high unemployment, or some combination of those factors.

One of the problems we're going to have at the national level is trying to sell this concept to a House of Representative with 435 members representing jurisdictions of varying degrees of prosperity, some very prosperous, some very poor.

The same problem with 100 Senators in the United States Senate; some States rich, some poor, some in between, trying to convince the rich areas that it's in the best interest of the whole country to assist those local governments which are experiencing difficulty.

I think the views that you've expressed here today are very helpful, because you have indicated a realization that an area can't continue to be an island of prosperity or an oasis of prosperity surrounded by other areas of need indefinitely.

What happens is, as you have indicated, the areas of need export their citizens to the areas of relative prosperity. And pretty soon, the area of prosperity has all the problems that came from the area of need.

I am hopeful that my colleagues in the Congress can be made to understand this problem as we try to put together and fashion a coalition that will allow us to pass targeted fiscal assistance.

As you know, general revenue sharing was about a $4.5 billion program. And one of the criticisms leveled at it was that Beverly Hills, California received revenue sharing just as Waverly, Tennessee did. And clearly, the need was different, and the ability to tax in Beverly Hills was much more than in Waverly, Tennessee. But that was done to try to put together a coalition to pass revenue sharing.

It's going to be a tough job to try to pass the targeted measure which will be about a $1 billion price tag, or about a 75 percent savings over the old general revenue sharing.

We're going to make a valiant attempt, and you can be, I think, of great assistance to us as we get into that", Mayor, because we may want you to come to Washington and testify before some of these committees and tell them some of the things you've told us here.

Thank you very much for taking time out from what I know is a very busy schedule to help us compile a record in these hearings that we may utilize on the Senate floor in debate and in committees to try to pass a targeted fiscal assistance bill. Thank you.

Mayor **Fulton**. Thank you, Senator.

Senator **Sasser**. Our next witnesses, our next group of witnesses will consist of a panel; Mayor Don Trotter, the distinguished mayor of Clarksville, Tennessee. And he'll be accompanied by Mr. Joel Plummer, the very able County Executive of Montgomery County. Gentlemen, if you will come forward and take your place there at the witness stable.

I might say that Mayor Trotter is a relative newcomer to public office. He was elected in November of 1986. He served in the Tennessee Department of Safety and Tennessee Bureau of Investigation. He received a bachelor's degree in history and a master's degree in history, both from Austin Peay State University. So we'll have the benefit of a historical perspective in trying to deal with problems of Clarksville.

And Joel Plummer is well known to people all across this State. He's currently County Executive of Montgomery County; has served and is serving as president of the Tennessee Community Services Association. He served with distinction as Commissioner of the Department of Safety from 1975 through 1979. Mr. Plummer attended Northwestern University and is the former president of Tennessee Development District Association.

Gentlemen, we welcome you both here today, and look forward to getting your views and observations. And based on seniority, Joel, we'll start with you first. The more senior I get, the more attention I want to pay to seniority. So we'll start with you today.

TESTIMONY OF JOEL PLUMMER, COUNTY EXECUTIVE, MONTGOMERY COUNTY, TN, AND DON TROTTER, MAYOR, CLARKSVILLE, TN [1]

Mr. **Plummer**. Thank you very much, Senator. It's a great privilege to come before your Subcommittee today. I wanted to echo Mayor Fulton's remarks and show our appreciation to you for the stand that you've taken for local governments on this issue. And I think it's remarkable, and we appreciate the fine job that you are doing for us in Washington. And we appreciate you're coming back to the state and conducting these hearings. And we just want you to know that.

Senator **Sasser**. Thank you.

Mr. **Plummer**. With that, I'll jump right in. I'm used to being called the older one. The Mayor always refers to me as the "old man that's been around a while." So I'm very used to that. He would have brought that up if you hadn't.

Senator, I'll jump right in. I wish President Reagan was sitting beside you right now so I could talk with him face to face. It's his policy of cut and run that has put us in this shape that we're in today, local governments.

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[1] See p. 138 for Mayor Trotter's prepared statement.

I've been around State and local governments for 30 years, and I've never observed a Federal mindset as destructive as the Reagan's Administration. Why, it's as if we don't exist. Or that the needs for schools, libraries, fire departments, landfills and other things, have disappeared as easily as his budget-makers have drawn lines through programs and made them disappear.

Let me get this off my chest a little. Sure, the Congress 10 and 20 years ago may be faulted for not reigning in unnecessary programs, but they did not wipe out a single program that was working. By eliminating revenue sharing from the Federal budget, the President claimed that he was reducing expenditures. The truth is, he simply shifted these expenditures from the Federal budget to the local level, forcing city and county officials to finance these programs from the regressive property tax instead of the progressive Federal income tax. Who gave us our first trillion-dollar deficit in history? Ronald Reagan.

You asked us here today to talk about the demise of the General Revenue Sharing Program, what it meant to Tennessee counties, what counties are doing to make up the loss.

In a word, the loss hurt. It hurt our pride as much as our pocketbooks. Reagan's new Federalism has made me feel like yesterday's laundry. We've been hung out to dry. It seems like every time you open the mail, you pick up a publication or listen to news, the Feds are severing more links in the partnership with local governments. It's cut and run. Plain and simple. And Washington has that luxury.

We don't have that luxury in Montgomery County, in Haywood County or in Hancock County. The $46 million that Tennessee counties lost in the last year of full funding was supporting services vital to the well being of 4.5 million Tennesseans.

Let's look at where the largest chunk of that money went. In fiscal year 1985-86, 56.7 percent of revenue sharing funds was spent for education, about 26 million dollars. That's $37 for each of the 702,000 public school students in the county systems.

I wondered what $37 would buy in supplies. I asked our school system to help me out. Every student in our system has to take English and literature. Here's a ninth grade English book that we paid $13.96 for this year [indicating]. Add to it, the $15.96 literature book and the shipping that we have to pay on these, and we've about spent the $37. That's just to teach one of the foundations of a good education.

But we are not willing to settle for just an average education in Tennessee. We're training our sons and daughters to be doctors, engineers, computer technicians, managers and U.S. Senators. To do that, many have to master courses like calculus. This year we paid $32.76 each for this calculus textbook.

Our book buyer in Montgomery County says that it takes $98 to provide a set of books to each high school student.

The next largest chunk of county revenue sharing money, $10.8 million, was spent through the county general funds. And that covers a host of services such as voter registration, planning and zoning, property assessments, data processing, court, jury and witness fees, legal notices and wages for sheriffs' deputies. That's just to mention a few.

Let's look at a life and death expenditure for ambulance service. Counties put $1.1 million into paying personnel, buying ambulances and maintaining them once they bought them. That million dollars does not sound like a lot when you're talking about a trillion-dollar Federal budget. But to individual counties, it can mean a difference between having an ambulance and not having an ambulance.

Take for instance Sequatchie County in Southeast Tennessee. It's 85th in size. Eight thousand six hundred and five people live in that county. In fiscal year 1985-86, the county received $86,479 in revenue sharing. The need for funding was so great that the County Commission put 80 percent of it, $69,200, into the ambulance service.

What is happening now that revenue sharing is no more? Well, county officials are proposing to raise property taxes 20 cents just to fund the ambulance service's $119,550 tentative budget for 1987-88. Revenue sharing was about 58 percent of the budget. They can't take it out without replacing it. County Executive Bill Harmon says that they wouldn't have a service without it.

Would you want to face families of the 600 people that the ambulance service transports a year? Can you tell them their Federal Government doesn't care enough to help transport Grandma from the nursing home to the hospital, or Junior to the hospital when a drunk crosses the center line and hits him head-on?

If something doesn't change, Sequatchie County won't have the money to keep up its ambulances. They have three ambulances now; a 1977 model, a 1981 model and a 1973 model. The older two need to be replaced. But Manager Roy Newman says that he can't ask the Commission to replace them. There's no money to replace them.

What about the rest of Sequatchie's allotment? Well, they put the remaining $17,000 into sanitation. Did you know what's happening to landfilling in this State and in the country? Here in Tennessee, the Department of Health and Environment is drafting regulations which could require us to install leachate collection and treatment systems and liners underneath landfills to the tune of $40,000 to $60,000 an acre. And if the State guys don't do it, the Feds are. The Environment Protection Agency has drafted regulations with many of the same requirements. The proposal hasn't been printed in the Federal Register, but I've got a bootleg copy that I can make available.

Back to Sequatchie County. What are they doing to make up the $17,000 loss in sanitation funds? They're raising property taxes by 12 cents just to fund the landfill. That's 32 cents so far, without mentioning increases for other areas of the budget like the school system.

Senator, of course you're already aware and know about the survey that was completed by the National Association of Counties. A sampling of 262 counties across America indicated 82 percent have had to cut services and dismiss workers, raise taxes, or both, since the Revenue Sharing Program ended last fall.

Senator **Sasser**. Would you repeat that, please, Joel?

Mr. **Plummer**. A sampling of 262 counties across America, a broad cross section, indicated 82 percent have had to cut services, dismiss workers, raise taxes, or both, since the Revenue Sharing Program ended last fall.

Most Tennessee counties will have to raise property taxes. When you look at the dynamics of county government funding, that's about all that we have.

The sales tax has to be set by referendum. Every time it's raised, we drive business and jobs across the State line. Besides, it's a regressive tax. The Tennessee General Assembly has also granted almost 100 exceptions to the tax.

We have a whole menu of small taxes that we can levy: litigation taxes, court fees, hotel/motel taxes and the like. But the relatively small revenues they raise aren't enough to finance major programs.

For example, a hotel/motel tax wouldn't do Sequatchie County any good. I know of two tiny motels in Dunlap. Some counties are so desperate for school funds that they use what should be a road user fee, the wheel tax. My county of Montgomery has to use the road wheel tax.

Those of us on the inside who know how the property tax system works are even worried about it. Just this year, changes in assessment methods will force more of the property tax burden on the homeowners, the small businesses, while relieving utilities and farm landowners.

The only reason we haven't had an uprising among homeowners is because the powers that be keep the assessment system so complex and confusing that the average person cannot understand it.

I've got sidetracked a bit, and I apologize for it. But I did want to tell you, Senator, about our sources for making up the lost revenue sharing funds.

If we could ask one thing of the Congress it would be to restore the Federal, State and local partnership that has worked well in past. Some of our communities can't make it on their own. Dunlap in Sequatchie County is light years away from Nashville, Memphis or Knoxville in terms of economics and economic health.

There are some aspects of the former revenue sharing program that we should keep: The fact that it has few strings attached, and administrative costs were kept extraordinarily low. Two-tenths of one percent is what I remember.

County governments have proven that they can use such monies sensibly. I don't know of any $400 toilet seats or golf course that the program paid for. The money bought school buses and library books.

But if a shared revenue program is re-established, it should be based on need: a targeted assistance program for distressed areas. I'm sure that some fancy-pants bureaucrat in Washington could come up with a formula too complex to understand. But it doesn't have to be that way.

Here in Tennessee, we're working to create health indicators and formulas to tell us what kind of shape we're in. I serve on the Tennessee Advisory Commission on Intergovernmental Relations. The Commission's Executive Director, Dr. Harry Green, has been working with Dr. William Fox at the University of Tennessee studying economic development in the State.

Harry has come up with an index that ranks the economic health of each county in the state. I won't get into the details of his study, but I did want to point out the factors Harry used to generate his economic health ranking: Income, population, taxable sales, unemployment and educational attainment.

I feel like these are viable, measurable indicators of the economic health of the county. They should be considered in any Federal formula for targeted assistance, and the money should be put where it's needed most.

With that, Senator, I'll conclude. We need you and you need us. We're on the front line. You're back there making the big decisions. Help us restore the local/Federal partnership. We need it very badly. I appreciate it. Thank you so much.

Senator SASSER. Thank you very much, Judge. We'll turn now to Mayor Trotter.

Mayor TROTTER. Thank you, Senator Sasser. On behalf of the good citizens of the city of Clarksville, Tennessee, I want to thank you also for allowing me to represent them to get the message across to the people with which you work with on a daily basis in regard to this important subject.

General revenue sharing was born with the realization that the large number of policy objectives undertaken by the Federal Government during the 1960s required a new era of partnership between the Federal Government and state and local governments.

The goals that grew out of the government's activism of the 1960s were widely lauded. Programs such as a cleaner environment, improved health care, services for the needy and handicapped and better criminal justice. These are only a few of the programs started in the 1960s.

The Federal mandates passed to achieve the goals were expensive and required local governments to pick up some of the cost. It seemed only fair to require the Federal Government, with its vast and efficient capacity for raising revenues, to help pay for the new mandates that were promoted.

On October 20, 1972, the General Revenue Sharing Bill was signed into law. The first funding was for 5 years. It was renewed for 4 years in 1976 through 1980. In 1980, Congress renewed the program for three more years but dropped State governments from the program. The program was renewed again in 1983 through September 30, 1986, with drastic cuts in the program.

Mayor Fulton has given you an excellent overview of the problems as exist for the cities. We, in the city of Clarksville, which is a moderate-sized city in this State, feel very strongly that revenue sharing has been the most flexible type of federal funding in helping meet the local needs.

Unlike many other Federal programs, to local governments, general revenue sharing comes with a minimum of strings attached.

The city of Clarksville used revenue sharing as follows, as some examples: From 1972 through 1975, all of our revenue sharing funds were used within our gas, water and sewer department for environmental improvements for health and safety. During this time, our water and sewer treatment plants were expanded and updated.

In 1976 through 1986, we focused on the areas and departments where most of our citizens would benefit from revenue sharing funds. All people use city streets, they require fire and police protection; therefore, we concentrated heavily in these areas.

Programs were also started in our recreation department from the use of revenue sharing funds that may not have been started had it not been for the funds.

If you will please allow me to give you some specific examples from past years budgets. For example: Fiscal year budget 1983–84, city of Clarksville, for the uses of revenue sharing funds, our Street Department, we used $169,200; Police Department, $226,400; Fire Department, $98,000; Recreation Department, $65,063; our library, which is co-funded with our county, $42,400; our Senior Citizens, $7,850; the Rescue Squad, $8,800; street lighting, $28,200; Environmental Protection, such as sanitary landfills, once again with the county, $28,363. This total proposed use of revenue sharing funds for fiscal year 1983–84 came to $674,276

Senator, as you know, these are not trivial budgetary items. These are solid fundamental services to our community.

In 1984–85: Once again, our Street Department, $157,356; Police Department, $210,552; Fire Department, $91,140; Recreation Department, $60,509; Library, $40,500; Senior Citizens Center, $8,000; street lighting, $29,000; Sanitary landfill, $29,935. Total of $626,992 Federal revenue sharing dollars.

And then in 1986–87, we're just completing that year at the end of this month, it was cut drastically to $261,585 in which we could only put into two departments, being our police department and fire department. So you can see the cut back in services due to the cut back in federal revenue sharing funds, as far as the use of federal revenue sharing funds in our budget was concerned.

We have to make up those differences. And to do that it naturally means cutting back in services, dipping into our reserve funds or increasing taxes.

The loss of revenue sharing monies in the city of Clarksville, Tennessee, which is the fifth largest city in the state, based on our present tax base, would mean an increase of 52 cents per hundred-dollar evaluation or 32.5 percent increase in our property tax just to meet the average loss of income from the past federal revenue sharing program.

Our local economy is really the only thing that has kept us from having to raise property taxes during this period, property taxes being a regressive as tax, as you know.

We've been fortunate in this regard probably because of stabilizing influences of Fort Campbell and Austin Peay State University. But if our economy has a slump, it could be devastating to our city's services to our citizens, and our employees would have to be laid off, causing a significant rise in unemployment.

According to our statistically metropolitan area, Clarksville was shown to have a very high unemployment rate. Also according to two issues of the U.S. News and World Report, Clarksville is shown in the top 25 lowest per capita income cities in the United States.

We don't feel we have that great a problem. But statistically it's proof. But any more cuts in Federal revenue sharing, a slump in our economy, any slip or any serious mismanagement of our city's government could cause devastation for us.

As Chief Executive Officer of the fifth largest city in Tennessee, I implore the U.S. Congress and the Reagan Adminstration not to destroy our city by ending revenue sharing funding. It's proven to be one of the few effective Federal, State and local partnerships that work for the benefit of the taxpayers.

Once again, Senator, I want to thank you personally for allowing us to appear before you. And I hope what we bring to you will help in making some decisions at your level.

Senator SASSER. Well, gentlemen, thank you very much. There are two or three questions that occurred to me. Now, having both a county and a State level, have you been able to, Montgomery County and the city of Clarksville, have you been able to absorb the cut in revenue sharing without raising property taxes and without cutting services so far?

Mr. PLUMMER. We've had to reduce services somewhat. We haven't had to raise taxes at this time. But next year, it will be inevitable.

Mayor TROTTER. The same situation in the city of Clarksville, Senator, we've done it strictly by sheer management and in some cases have had to dip into reserve funds.

Senator SASSER. What I ran across this morning up in upper East Tennessee, were local governments postponing necessary steps that would have to be taken in the future at some point, road maintenance. In essence, just pushing off expenditures and putting off the day of reckoning. Is that occurring in Montgomery County and the city of Clarksville to an extent over the short term?

Mr. PLUMMER. That's what I made reference to when I stated that it would be inevitable next year. This is what we have done, we have just extended the pain to the future instead of the present.

Senator SASSER. Mayor Trotter, I understand that Clarksville is going to experience a large expenditure in the future for water and sewer services. Am I correct on that, in that assessment?

Mayor TROTTER. Yes, sir. We have just had a consultant firm complete their study on the needs and projections for water and sewer services in the city of Clarksville through the year 2005. At the rate of growth which we're experiencing now, continuing through that period of time upon which the study was based, it will cost the city of Clarksville $63 million just to meet those demands.

Senator SASSER. Heretofore, you had been using general revenue sharing money in your water and sewer operation?

Mayor TROTTER. In the early days that's where it all went, Senator.

Senator SASSER. Well, I might say that on the Senate floor, when we debated the whole question of whether or not to salvage the general revenue sharing program, I argued then that we were simply shifting the tax burden back to the local level, that eventually local governments were going to have to increase taxes to make up for the loss of general revenue sharing. And that's what I've been hearing this morning and that's also what I'm hearing this afternoon.

It's a tragedy that general revenue sharing was cut purely on the question of budgetary consideration and not on the merits of the program itself. Because it was overwhelmingly well received by local officials. And those in the academic community who study these matters, say the revenue sharing was a very cost-efficient expenditure of governmental dollars both on the Federal level and at the local level.

Let me ask both of you this. Now, I think in the short term, when I say in the short term I'm talking about the next 2, 3 or 4 years, the general revenue sharing program, as we have known it, is a thing of the past.

And what I seek to do is to come back and develop a concept of targeting funds from the Federal level to areas where there are fairly high unemployment and where there is a fairly low tax base, that is, a low per capita income. What is your reaction to that concept?

Mr. **PLUMMER**. I think it's an excellent idea. I agree with that concept. I think it's, again, putting the money where it's needed the most. And I think it's not only good for the areas that would be targeted, but it would be good for the entire country to do this. And I certainly agree and support this theory.

Mayor **TROTTER**. I would also agree, Senator. We have that situation. Like I mentioned in my report, we have been reported to be in the 25 lowest per capita income cities in the Nation. Which once again, I feel that's probably inaccurate, knowing the area as we do. But it is a problem which we have to attend to. Also unemployment for the metropolitan statistical area in which we live is high.

We've experienced just recently, within Clarksville, some losses due to some unfair competition with foreign industries. Booster Manufacturing of shoe repair closed down after—it was a mainstay. Family after family after family worked in that manufacturing company.

Senator **SASSER**. Acme Boot?

Mayor **TROTTER**. No. Booster Manufacturing. Acme Boot has had to cut back considerably. We've lost Union Carbide also because of that situation, unfair practices of foreign industry.

Targeting, I think, is the way to go. It's a serious matter. When you talk about tennis courts in Beverly Hills, it's not exactly like losing your job in Clarksville, Tennessee.

Senator **SASSER**. One of the county judges this morning, I think the county judge of Johnson County said, "Senator, we're not talking about losing jogging tracks here in Johnson County, we're talking about funds to pay the school teachers." He said, "We haven't had a raise for our school teachers here in Johnson County in 4 or 5 years."

And when you figure in what inflation has done to them during that period of time, they've probably suffered a decline in their real purchasing power of somewhere in the neighborhood of certainly 20 percent.

Let me ask you one final question. We talk about all of those programs sometimes at a very high level. Let's bring it down to what it means to the individuals.

What impact will the loss of general revenue sharing have upon the individual citizen in Montgomery County and Clarksville?

Mr. **PLUMMER**. It will require a 23 to 24 cent property tax increase, which will fall largely, in many cases, on those that are less able to pay, the low income bracket and middle income bracket. This is what it would result with them getting next year.

Senator **Sasser**. Is that the same in the city, Mayor?

Mayor **Trotter**. As I mentioned, it could possibly mean a 52 cent increase, which is 32.5 percent of our property tax base if we were just to fund the amount if monies that we averaged over the period of years of Federal revenue sharing. We would also have to cut back in our services and in these areas which I mentioned, streets, police, fire, our sharing of cost in our library, with our senior citizens, with our street lighting, our sanitary landfill. All these services would be curtailed, at least cut back, if not completely cut out.

Senator **Sasser**. I think that's the tragedy of it. When you cut out the revenue sharing or the Federal assistance dollar coming back to local governments, what you do is force the local governments back on the regressive taxes, the property tax, the sales tax. That impacts particularly on the elderly. And you substitute that with the funds that were coming in from a progressive income tax where there was a disproportionate amount paid by the richer areas flowing it back into the poor areas of the country in an effort to try to have some modicum of decent living standards all across the country.

Well, I agree with both of you. We made a great mistake, the Administration did, in phasing out the general revenue sharing. But we're going to try to come up, in the short-term anyway, with a program that we hope will bridge the gap.

Gentlemen, thank you so much for appearing here today and giving us the benefit of your views and helping us build a record that we can use on the floor of the Senate to carry the debate, and we hope, carry the day for more Federal assistance of local governments. Thank you.

Mr. **Plummer**. Thank you.

Mayor **Trotter**. Thank you, Senator.

Senator **Sasser**. Our next panel will consist of Judge Johnny Fortner, who is the County Executive of Humphreys County, and Judge Jimmy Pendergrass, who's the County Executive of Lincoln County.

Judge Fortner was elected County Executive last September. And prior to that term, that time, served 17 years in the County Assessor's office. So he's no johnny-come-lately to county government.

He is a self-educated man and truly realizes the importance of adequately funding programs to educate our younger citizens.

Judge Pendergrass was elected County Executive in 1986 in Lincoln County. Prior to that, he served as the Lincoln County Circuit Court Clerk. And from 1970 through 1974 taught in the Lincoln County school system. He's an active leader in the Fayetteville Chamber of Commerce and a veteran of the war in Vietnam.

Gentlemen, we welcome both of you here today, and we look forward to hearing your testimony and getting your observations.

Judge Fortner, why don't we start with you first.

TESTIMONY OF JUDGE JOHNNY FORTNER, COUNTY EXECUTIVE, HUMPHREYS COUNTY, TN,[1] AND JUDGE JIMMY PENDERGRASS, COUNTY EXECUTIVE, LINCOLN COUNTY, TN

Mr. **Fortner**. I thank you, Senator. I thank you for the opportunity to appear before this group and share with you a part of my experience with the adverse effects of loss of revenue sharing that has been found in our county and the affect it's had on funding of necessary services of the county.

First I would like to say that I whole-heartedly endorse the testimony of the people who have appeared prior to this testimony.

Revenue sharing has, in the past, been a very important part of the general budget of Humphreys County. While being targeted to what we really consider the most critical areas, such as education, sanitation programs, the prison system, care for the aged, nutritional assistance for the senior citizens and underprivileged, police protection, highways, public facilities, mental health and general welfare, all of these services have been severely affected.

Humphreys County has an unemployment rate of 19.6 percent of the total work force as a result of foreign competition. This loss of income, revenue from local sales tax is drastically reduced.

Senator **Sasser**. What did you say that unemployment figure was, Judge?

Mr. **Fortner**. 19.6 percent.

Senator **Sasser**. Thank you.

Mr. **Fortner**. This loss of income of revenue from local sales tax is drastically reduced, while at the same time, the demands for services have increased.

There are only two significant sources of revenue that can be adjusted that are available to the local governments: Local sales tax and property tax.

Our sales tax has been increased to the highest level allowed by Tennessee law. And the county has the tenth highest effective tax rate in Tennessee.

While spending 17 years as a property assessor and realizing that property tax is the most dependable source of revenue we have, at the same time, I consider it the most unfair tax and should not become a greater burden upon our citizens.

Our efforts to fund services, we consider high priority, have reduced funding of other services that are essential to our general welfare.

It has become necessary to reduce some of the funding of projects such as senior citizen nutritional programs, reduction of home care for the aged and Meals on Wheels. The highway program has been drastically reduced. Countywide garbage collection system has been neglected to the point that we cannot project how long we may be able to provide this very necessary service.

Capital improvements are virtually nonexistent. We're faced with the fact that the prison system must be improved, which will require the building of a new facility. And since the transportation equipment has been neglected so how long, new vehicles will be required as well as additional personnel which must be added if we're to provide the protection that is essential to the welfare of our community.

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[1] See p. 141 for Judge Fortner's prepared statement.

We in Humphreys County are people with pride and do not really care to rely on others for assistance. However, the results I have mentioned in this presentation are beyond our control.

We would hope that some relief might become available. If the General Revenue Sharing Program cannot be reinstated at its last level of funding, I would suggest a revised form of revenue sharing which could be helpful, and special emphasis should be placed on local governments with high unemployment and high property tax.

I might illustrate, by example, an experience that we have had in Humphreys County and I'm sure that there's others that have like experiences. The largest employer that we had with the highest per capita employment rate, Consolidated Aluminum, has reduced their work force from 825 to 20. As a result of this reduction, the property tax has gone down from $325,000 a year to $90,000 a year.

This consequently affects our entire economy, a small county, with a population of 15,600. We in Humphreys County are struggling to keep the most needed programs in force. As a result of doing this, we're having to let some of them completely drop that we can no longer fund.

Senator, I would certainly thank you for your time and your efforts and your attempt to provide some relief in this particular area.

Senator **Sasser**. Judge, thank you very much. We'll hear now from your colleague from Lincoln County.

Mr. **Pendergrass**. Mr. Chairman, Senator Sasser, I thank you for the opportunity and privilege of being allowed to address this forum this afternoon on the significant importance of targeted Federal assistance to counties such as the one that I live in, in rural Middle Tennessee.

I certainly share the viewpoints of my colleagues that have spoken here this afternoon. That is, Lincoln County is one of 13 counties in rural Middle Tennessee that has witnessed and suffered many of the same things that the Judge has just referred to here. For example, our per capita income in Lincoln County is approximately $7,900 per individual.

Like many rural counties in the State of Tennessee, we have had to meet the needs of facing up to a global economy that has changed this state and has changed the United States.

At one time, our economy was 90 percent agriculture. Now we are having to make the shift to go in and seek industry to come into our communities. To show you how significant the loss of revenue sharing will be on the county of Lincoln in the upcoming year, I would like to point out a few highlights of what we have spent revenue sharing monies in the past.

From 1979 through 1986, Lincoln County spent $1,315,000 on education from the use of Federal revenue sharing monies. At the same time, we too have witnessed the problems of landfill sites and what to do with solid waste garbage.

In 1986 we saw the cost of operation of our landfill sites go from $68,000 to $96,000 in one year. We saw our county's insurance go from $92,000 to $126,000 in one year's time.

I again would like to make reference in the area of education. This year our school budget faces an increase of $334,000. Out of that $334,000, we will have to spend $104,000 for 15 school buses within the next 4 years.

Senator **Sasser**. How much do these school buses cost now, Judge Pendergrass?

Mr. **Pendergrass**. They cost approximately $18,000 to $20,000 apiece. This is the first time that we will have to issue capital outlay notes to finance the purchase of these school buses.

The County Executive from Montgomery talked about rural counties being on the firing line. Senator, we are on the firing line. To give you another example, our sheriff's department and police department had to postpone buying a new communication system for the city of Fayetteville and the County of Lincoln this year, at a cost of approximately $48,000. The main purpose of the communication system was to reach some dead areas in our county in the outlying areas where we have sheriff deputies on patrol where we did not think that we could afford for those officers to go without communication. This is something we have had to postpone.

We have witnessed our sheriff's department and police department no longer being able to purchase new vehicles and equipment for operation of their services. We have been forced into situations where we have had to purchase used vehicles.

I would like to recite to you, Senator, some of the things that we have spent revenue sharing on in the past which came from the assistance of the Federal Government.

In 1980, we spent $165,000 of revenue sharing money on education; 1981, $160,000; 1982, $170,000; 1983, $210,000; 1984, $200,000; 1986, $200,000.

In 1984-1985, airport improvement, $5,000; election commission help, $5,000; road department for the purchase of the a Catapillar road grader, $76,800.

1981-82, fire stations at a cost of $7,053 in the outlying areas of Lincoln County.

In the area of health care, 1986, we were forced to cut our supplement to a local health department by $12,000. $12,000 that could have been used for the care of the low income people in our community.

Senator, I again would implore you and your colleagues to strongly push for the targeted Federal assistance that you have recognized and made so prevalent in your communications here in the past few weeks in Tennessee and in Congress.

We need your help. We can no longer afford to wait. We have put off many important programs that inevitably are going to catch up with us in 2 or 3 years.

One last example that really brings the need home of the targeted Federal assistance. Had it not been for the City of Fayetteville receiving a grant loan from the Environmental Protection Agency in the amount of $2.5 million this year our water and sewer system would have been crippled. This meant no new expansion. This was only to meet the need in our community at this time.

Thank you, Senator.

Senator **Sasser**. Thank you very much, Judge Pendergrass, for your testimony. It's interesting to note that both of you have stressed the importance of the revenue sharing funds for education in your counties. We're all aware of the importance of education in an increasingly competitive global marketplace and the reliance that we must place on the educated populace if we're going to be able to compete, not just internationally, but also domestically now.

And I think it's important that we make note of the fact that only one other State in the Union spent more per capita of their general revenue sharing funds on education than did Tennessee. Here in our State and as you've testified in your counties, we used a large portion of the general revenue sharing funds to aid in education of our students. And I think that's important to note. Only one State, New York, spent a larger proportion of their revenue sharing money for education than did Tennessee. I think that speaks well of us and all of the individuals who run our local governments, that they could use these monies for that purpose.

Also I might note, Judge Pendergrass and Judge Fortner, that you are reinforcing what we heard from other leaders in local governments across the State; that is, that we are really postponing the day of reckoning, that we're putting off things at the local level with the loss of revenue sharing that we're going to have to deal with. At some juncture we're either going to have to raise taxes or there's going to be a very serious problem develop or there's going to be a significant cut back in essential services.

I take it that both of you agree with the concept of targeting the funds to localities with unemployment problems or with a low tax base or a combination of the two?

Mr. **Pendergrass**. Yes.

Mr. **Fortner**. Yes, Senator Sasser, I very definitely agree with that concept. The targeting of funds, I should think, would be towards the areas that need them the worst. And I very definitely would agree with that concept.

Senator **Sasser**. We heard testimony this morning from the county judge of Unicoi County who indicated that 24 percent of the population of that county consisted of school age individuals; that another 24 percent consisted of individuals over the age of 60, most of them retired and on a fixed income. And sandwiched between those two populations was a high percentage of unemployment.

So this was a local government that was really feeling the bite of the loss of their revenue sharing.

What is the unemployment rate in Lincoln County, Judge Pendergrass?

Mr. **Pendergrass**. Senator Sasser, we have been fortunate within the past 3 to 4 months that our unemployment rate has changed from approximately 12 percent to 6.8 percent. This month for the first time it hit below 6 percent. But this does not hold true for the other 12 counties in the region where we are located along Highway 64 where you have unemployment running all the way up to 17, 18 percent unemployment, such as in Lawrence County.

There's one other thing I'd like to ask, Senator. We have just gone through a reappraisal of our property taxes in Lincoln County. As of right now, we stand to lose approximately $300,000 because of the re-evaluation of the land use based on the Green Belt laws that have been used by the State Board of Equalization.

Second, I would like to point out that presently our property tax rate is $3.70 per hundred in addition to a $25.00 wheel tax for all of our citizens in Lincoln County.

There were such needs for additional monies that we passed a wheel tax back in the year of 1978 to pay for a $12 million high school. We do not know where the funds will come from other than either a sales tax by referendum or an increase in property tax from anywhere from 27 cents to 50 cents. That's how critical the need is to us now.

Senator **Sasser**. Well, gentlemen, thank you very much. I want to say that I appreciate very much your appearing here this afternoon and your input. And I might say that if anyone wishes to make any additions to the hearing record in the interest of the citizens, the record will be kept open until July 22. Additional materials can be submitted to my office here in Nashville in Room 569 of the U.S. Courthouse.

I thank all of you for taking time out and appearing here today and giving us the benefit of your observations.

[Whereupon the Subcommittee recessed to reconvene at the call of the Chair.]

LOCAL FISCAL IMPACT OF THE LOSS OF GENERAL REVENUE SHARING

WEDNESDAY, JUNE 24, 1987

U.S. SENATE,
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY,
FEDERALISM, AND THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:30 a.m., in room SD-608, Dirksen Senate Office Building, Hon. Jim Sasser, Chairman of the Subcommittee, presiding.

Present: Senators Sasser, Heinz, and Levin.

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. The Subcommittee will come to order.

Today the Subcommittee on Government Efficiency, Federalism, and the District of Columbia continues its oversight hearings on the impact on local governments of the loss of general revenue sharing. On Monday the Subcommittee held hearings in the State of Tennessee in two locations—Nashville, Tennessee, and in Tri-Cities.

We heard very compelling testimony from a wide variety of local officials about the impact of the loss of general revenue sharing. For all too many local governments, especially those with chronically high unemployment and low income, they have suffered a "double whammy" from the loss of general revenue sharing.

First, they have had to cut basic local services, and then they have had to raise local taxes in order to cover at least a portion of their general revenue sharing losses. They have had to cut many essential municipal services that range from education, to highways, to local rescue squads.

Whether it be the home owner concerned with the condition of the local roads, or parents concerned with the education of their children, or senior citizens concerned about local "Meals on Wheels," many local citizens have been adversely affected by the loss of general revenue sharing.

As one county official from a small rural county with an unemployment rate of over 10 percent put it, quote: "We are being asked to do more and more with less and less."

From 1972 through 1986 State and local governments received $85 billion in general revenue sharing funds. For the last several years, our Nation's local governments have received $4.6 billion annually from the general revenue sharing program and in my State, for example, that has meant that cities and counties have received about $90 million a year to meet essential service needs.

As of 1986, the general revenue sharing program, over the strong opposition of many of us here in the Senate, was ended. Now, many of us know that a full restoration of the $4.6 billion local revenue sharing program is not going to occur, given the substantial Federal budget deficits that we have incurred over the past several years.

But at the same time, the Federal Government does have a constructive role to play in helping a number of local governments deal with their fiscal problems. Local governments with chronic high unemployment levels, local governments with low levels of personal income, and local governments with stagnant tax bases, are clearly deserving recipients of a revised revenue sharing program.

The testimony presented here today, especially by the Comptroller General and by the Advisory Commission on Intergovernmental Relations, suggests that there is a need for a targeted fiscal assistance program. State after State is finding that their economy is being divided into the "have" and "have not" local jurisdictions, oases of prosperity surrounded by great areas of recession and economic want.

Some cities and counties in prosperous metropolitan areas enjoy high levels of service at relatively modest tax rates. They have the best of both worlds. But other cities and other counties face just the reverse situation. They face high tax rates which generate comparatively low levels of service. These "have not" local governments are the ones that have been hurt the most by the loss of general revenue sharing.

The Subcommittee this morning, and its parent Committee, the Governmental Affairs Committee, has an obligation to draw attention to this pressing fiscal problem. I am confident that in the weeks and months ahead we will press forward with prudent fiscal measures that will in part help hard pressed local jurisdictions cope with the loss of general revenue sharing.

That concludes my opening statement and now I would ask if my distinguished colleague and ranking minority member of the Subcommittee, Senator Heinz, would wish to make an opening statement.

OPENING STATEMENT OF SENATOR HEINZ

Senator HEINZ. Mr. Chairman, I thank you, and I particularly want to commend you for holding this hearing and for your great initiative in looking carefully at the fiscal condition of local government. I commend you for putting together an outstanding set of witnesses as well, because I cannot think of any more important topic for us to consider than the increasing difficulty of our Nation's local governments and the problems they face in providing essential local services.

In my home State of Pennsylvania, many of our local communities are circling their fiscal wagons for a sort of "Custer's last stand." They have been decimated by the decline of heavy manufacturing industries like steel on which they have traditionally relied for a tax base. Their best and their brightest people have often left home to seek job opportunities elsewhere.

A disproportionate number of poor and elderly remain behind, and they are the ones, of course, who are most dependent on local services, and the Federal Government, of course, has, since 1981, drastically reduced its direct and indirect financial assistance to local governments. I refer to last year's termination of the revenue-sharing program, which was for many communities akin to the final blow.

There was simply no way for communities to make up the revenue. Local governments in my State, for instance, are prohibited by State law from raising property taxes—their principal source of revenue—beyond a certain threshold, and local taxpayers in these depressed communities simply cannot afford the higher taxes anyway.

Now, there are those who say that other Federal programs remain to assist local governments, such as the Community Development Block Grant and others. Well, if you look at what has happened to those programs since 1981, we have eliminated many categorical programs altogether,and we have made drastic cuts in others. Community Development Block Grant monies have been cut by 25 percent since 1981. During the same period mass transit has been cut by one-third. The only real alternative for many communities has been simply to cut local services.

Last year—maybe you read about it—there was a series on western Pennsylvania. It featured the City of Clairton, Pennsylvania, in the Monongahela Valley, the steel valley. And it received a lot of attention because it found itself so strapped in the wake of the shutdown of the U.S. Steel Clairton facility that it was forced to layoff all of its firemen, all of its policemen, and all of its other municipal employees.

When a community cannot provide police and fire protection, it fails in its most important and fundamental mission; to protect and ensure public safety. And there is no one else to do that if the police and fire people have been laid off.

Mr. Chairman, that was before we terminated the revenue-sharing program, and Clairton is only the tip of a very large, very cold, very dangerous iceberg. If communities follow the path of cutting services, what might happen? Well, the future of—at least in our State—our steel-making communities is described in detail by a very pertinent study done at Carnegie Mellon University. A very thorough and comprehensive study, It is entitled "The Fiscal Position of Municipalities in the Steel Valley Council of Governments" and is dated June 4, 1987.

I will not go into the conclusions in detail, but Mr. Chairman, I would ask unanimous consent that the conclusions, which are 2½ pages long, be entered into the record.[1]

Senator **Sasser**. It will be included in the record.

Senator **Heinz**. I would just say that as an example, the study shows that Homestead, Pennsylvania, will face a deficit of $300,000 this year, even after slashing the police force, eliminating every single paid firefighter and virtually all other services, and hiking their taxes to the legal limit.

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[1] See p. 304.

Mr. Chairman, for scores of communities in my State and hundreds and thousands more across the Nation in States like my Chairman's State of Tennessee, the end of revenue sharing threatens to be the end of the communities.

That is why I not only commend Senator Sasser but also join him and many of our other colleagues in trying to fashion an effort to cushion the shock of the most severely and acutely affected communities. I think we recognize fiscal reality. I do not think we are going to be able to rehabilitate revenue sharing. We have had too many votes on the Senate floor on that.

But this means that we have to try to develop, as Chairman Sasser has done, a program that will carefully and effectively target scarce Federal resources to those communities in economically depressed regions that simply have no alternative to Federal and State aid if they are to provide the basic services that people have to have and that are necessary for the survival of those communities. I think we have an obligation to continue that effort.

Mr. Chairman, again, I commend you and I thank you for your effort in that regard.

Senator SASSER. Thank you very much, Senator Heinz, for your most perceptive statement.

Our first witness this morning will be the Comptroller General of the United States, Mr. Charles Bowsher, appearing on behalf of the General Accounting Office; and he will be accompanied by Mr. J. William Gadsby and Mr. Jerry Fastrup of the General Government Division of the General Accounting Office.

General Bowsher, we are delighted to have you with us today and you may proceed as you wish.

TESTIMONY OF CHARLES A. BOWSHER, COMPTROLLER GENERAL OF THE UNITED STATES, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY J. WILLIAM GADSBY, GENERAL GOVERNMENT DIVISION, AND JERRY FASTRUP, GENERAL GOVERNMENT DIVISION

Mr. BOWSHER. Thank you very much, Mr. Chairman, Senator Heinz, and members of the Subcommittee. I have a short statement here which I will read.[1]

I am pleased to be here today to talk about how the Federal general revenue sharing program has helped fiscally distressed communities and why a more targeted approach to providing fiscal assistance would be better suited to today's fiscal conditions.

The general revenue sharing program was introduced during a period when the character of assistance to State and local governments was dramatically different than it is today. The early 1970's brought rapid increases in both the dollars and the type of programs flowing from Washington to local communities. In this environment, revenue sharing not only helped communities with fiscal problems, but also gave them flexible monies that could be used to fill gaps in services not funded through our other Federal programs. In this context, general revenue sharing responded to the needs of the 1970's.

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[1] See p. 143 for Mr. Bowsher's prepared statement.

But today the environment has changed. General revenue sharing is gone, and Federal aid to localities is shrinking, not growing. Also, States have more flexibility to choose the mix of program services for the localities through various block grants. States and localities now have to finance more public services with their own funds. This, in turn, places a greater burden on governments serving poorer communities to maintain such services.

In this new environment, two questions remain: What is the magnitude of fiscal disparities? And can a program be developed that would alleviate fiscal disparities between high-and low-income communities at less cost than general revenue sharing. These are the topics I would like to cover today.

Let me begin by defining what we mean by fiscal disparities. Essentially, they are differences among communities in the taxable resources available and in their public service needs. Given the same tax rate, a community with a lower economic resource base will derive fewer tax dollars per resident than a community with more taxable resources. Therefore, poorer communities must either accept lower levels of public services or tax themselves more heavily than their better-off neighbors in order to provide the same array and level of services.

Fiscal disparities among the Nation's communities are substantial. As pointed out in our July 1986 report, we analyzed tax and income data for 38,880 units of local government in 3,134 counties across the United States. The data showed that, nationwide, cities, counties, and townships collected $264 per person in fiscal year 1983. However, local governments in the Nation's wealthiest counties raised nearly $338 per person, whereas the poorest counties raised only $150 per person. These disparities are prevalent among governments serving both rural and urban areas.

We have charts attached to our statement and enlargements here, that illustrate some of these issues. As shown here in Chart 1, in the most rural counties, the lowest income communities required higher tax rates to finance public services than did their higher income neighbors. However, this higher tax effort yielded 36 percent less revenue to meet public service needs.

For highly urbanized counties, we compared the revenue raising capacity between central cities and their suburbs for the 20 largest metropolitan areas. Chart 2 shows a suburban revenue-raising advantage for 18 of the 20 largest metropolitan areas. For example, Cleveland's suburbs can raise $1.58 for each tax dollar collected by the central city. On the other hand, the suburbs of San Diego and the city are on about a par. Now, with this background, I would like to turn to how fiscal disparities can be reduced.

Targeting funds to lower income communities will reduce the disparities I have just described. Indeed, the more a given level of funding is targeted to low-income communities, the greater the reduction in disparities. In the same vein, greater targeting can achieve a given level of disparity reduction at lower cost.

Chart 3 shows the cost of disparity reduction based on three different targeting policies. Column 1 represents the most targeted fiscal assistance formula. It limits eligibility to communities with incomes below the State's average which includes about half the United States population.

Column 2 represents a formula that provides funding for communities with incomes up to 125 percent of the State's average, and this would include about 90 percent of the U.S. population.

Column 3 represents the least targeted formula. It provides funding for communities with incomes up to 150 percent of the State's average, and this approach picks up about 99 percent of the U.S. population.

Now, to provide a basis for comparison, I would like to first note that the general revenue sharing program provided about a 15 percent reduction in disparities at a cost of $4.6 billion as shown in Column 3.

Column 2 shows that the same 15 percent disparity reduction could be achieved with a $2.4 billion program, almost half the revenue sharing funding level, which would be achieved, of course, by using a more targeted formula for the program.

Column 2 also shows that $4.7 billion—about the same funding level as revenue sharing—could double the disparity reduction to 30 percent, using this more targeted formula.

Finally, I would like to point out that even greater targeting can substantially reduce the cost of disparity reduction. Column 1 shows that a highly targeted formula providing funds only for communities with incomes below the State average could reduce disparities by 25 percent with as low as a $1 billion investment.

As you can see from Chart 3, if funding is targeted only to low-income communities, all of it contributes to reducing fiscal disparities. On the other hand, if some funding is also provided to high-income communities, funding for low-income areas must be increased that much more to achieve a given disparity reduction. This, in turn, raises the total cost of the program.

Mr. Chairman, you also asked us what impact the loss of revenue sharing funds had on local governments. We have just started two reviews to determine what kinds of service changes and fiscal adjustments certain States and localities are making. A clear picture of actual State and local impacts will have to await the completion of these efforts.

However, we do know that revenue sharing funds made up a larger portion of local government budgets in poorer communities than in wealthier jurisdictions. Therefore, poorer communities clearly face a more difficult adjustment to the loss of these funds.

Differences in the fiscal adjustments faced by county and city governments are illustrated in Chart 4. Column 1 shows that counties whose average resident income is less than 75 percent of the State's average would have to raise local taxes by 16 percent to fully replace lost revenue sharing funds, almost twice the national average of 8.3 percent.

In contrast, the average tax increase required in the highest income group would be 4 percent, or about half the national average. Column 2 shows that the fiscal adjustment for cities would be somewhat less, but the pattern is similar.

Finally, Mr. Chairman, you asked whether we believe there is a need for a successor program to general revenue sharing for fiscally distressed local governments. While local governments serving low-income areas are in a marked fiscal disadvantage in financing public services, the Congress must weigh the need for such a program against other competing resource demands. If the Congress decides that such an effort represents an appropriate use of Federal funds, we strongly believe that a program using a highly targeted formula can alleviate fiscal disparities at substantially lower cost than the general revenue sharing program.

Mr. Chairman, this concludes my statement. We would be very pleased to answer any questions.

Senator SASSER. Thank you very much, General Bowsher.

What governments—speaking here for the record—what governments in your estimation are the most disadvantaged by the loss of general revenue sharing?

Mr. BOWSHER. Well, the localities with the fewest taxable resources, really, are the hardest hit. Generally, these are located, I might say, disproportionately in the rural counties, although there are, no question, certain suburban communities and some larger cities that are also included.

I think as we point out there in Chart 1, the lower income communities, especially in these rural areas, were already taxing themselves, really, at higher rates before the loss of revenue sharing. Consequently, replacing taxes to replace the revenue sharing is going to be very difficult for them.

Senator SASSER. Now, you note in your report of July 1986 that there were substantial fiscal disparities among local governments in both metropolitan and non-metropolitan areas. Is it you belief that such fiscal disparities will continue for some time?

Mr. BOWSHER. Yes, I think there will always be some fiscal disparities. But I think one important thing is that sometimes it changes from area to area. Lots of times when you have high unemployment, as we had in New England for awhile, around Boston, that circumstances can change. They have, fortunately, improved their situation and therefore their ability to tax and to raise funds have improved. In other areas, such as the midwest, their circumstances have deteriorated and have incurred greater difficulties in financing public service needs. So, one of the things about a targeted fiscal aid program here would be that you would have a program that could adjust funding for individual areas, depending on how and where that aid is needed.

Senator SASSER. Well, your research does not touch on this particular question, but in the event that a Federal targeted assistance program were developed, what would be your feeling about State governments enhancing the Federal program by providing matching funds to alleviate some of the fiscal disparities among local governments in a particular State?

Mr. BOWSHER. I think it is something that should be considered. As you point out, we have not studied it. It has the advantage of maybe getting additional funds to the localities that need it the most. But, it would probably also complicate the program, and I just do not know what those complications would be. So we believe this issue needs to be thought out a little more because it is worthy of consideration.

Senator SASSER. We heard testimony Monday from the Mayor of Nashville, Tennessee, who is the former chairman of the National

Conference of Mayors. Nashville enjoys the advantage now of being a relatively prosperous area, surrounded by rural areas that are less than prosperous.

The problem that they are encountering in Nashville is a migration in from the depressed areas into the prosperous area. And this in turn, over a long term, is going to depress the prosperity of the Nashville area. At least that fear was expressed. So my sense of it is that a targeted fiscal assistance program enhanced by a State program might go a long way to alleviate this type of problem.

I will pause now and defer to Senator Heinz.

Senator HEINZ. Mr. Chairman, I, like you, am a member of the Banking Committee. I just received word that they need at least one of us for a quorum. Since you are chairing this hearing I will volunteer, but I think it is necessary if we are going to get Danny Wall moved along.

Mr. Chairman, I apologize, but we are spread a little thin today. I hope the Comptroller General will accept my apology.

Senator SASSER. Thank you, Senator Heinz.

I think two comments come to mind. One, I think it is important to note that the loss of general revenue sharing has resulted in a tax shift to the communities which can least afford it. Now, looking at your chart there, General, I note that those counties, for example, with a per capita income of 75 percent or less of the national average would have to increase local revenues by 16.2 percent to make up for general revenue sharing losses.

Mr. BOWSHER. That is correct.

Senator SASSER. While those counties that enjoy a 25 percent per capita income level above the national average only have to increase their taxes by 4.1 percent to make up the difference. I think that is very important, because when local officials do complain about being hit with a "double whammy" here—that is they are poor communities and all of a sudden they lose their general revenue sharing and then they have to turn around and try to go to the citizens to make up the difference—they are called upon to make a much higher tax effort against their citizens than those in the prosperous areas.

Also, I noted in holding hearings in my State, that the bulk of the general revenue sharing funds there in Tennessee were spent on education, and we all know the importance of education in this ever-changing global marketplace, and we are spending a lot of time, at least, talking about improving educational standards.

I was wondering, General, if you or your colleagues in your research had some rough estimate as to what percent of general revenue sharing funds might have been spent for education or, in the alternative, how the loss of general revenue sharing funds impact on education efforts in the cities and counties around the country?

Mr. BOWSHER. Mr. Chairman, we do not have that information but our people here tell me that they agree with you, that education was one of the major areas for which local officials have reported using revenue sharing funds. As we do the 2 additional studies I referred to earlier, we can try to gather and pull together some information on that subject.

Senator SASSER. Well, General, I want to thank you very much for your excellent testimony here today. The Subcommittee looks forward to working with the General Accounting Office in the future. We have been very pleased with the General Accounting Office's work on this particular matter and we will want to stay in close touch with you as we develop a targeted fiscal assistance legislation, and your input would be most helpful.

Mr. BOWSHER. We would be pleased to work with you, Mr. Chairman.

Senator SASSER. Thank you, General, and I wish to express my thanks to your colleagues.

Mr. FASTRUP. Thank you.

Mr. GADSBY. Thank you.

Senator SASSER. Our next witness will be Mr. Joseph Wright, the Deputy Director of the Office of Management and Budget.

Mr. WRIGHT, if you would just come forward here, I have already introduced you in your absence.

TESTIMONY OF JOSEPH R. WRIGHT, DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. WRIGHT. Was it a nice introduction, Mr. Chairman?

Senator SASSER. Well, it was a neutral introduction.

Mr. WRIGHT. Well, that is good. I will take that.

Senator SASSER. We are going to let you make your own reputation here today. You may proceed, Mr. Wright.

Mr. WRIGHT. Thank you, Mr. Chairman. I do have a testimony which I have submitted to the Subcommittee, and what I would like to do is just put it in the record, [1] with your permission, and summarize and highlight just a few moments, if I can.

Senator SASSER. Sure.

Mr. WRIGHT. I am glad to be here to discuss the termination of general revenue sharing with you, and its impact on local governments.

As you know, we believe the revenue sharing program was created to address certain problems of the 1960's and 1970's during a period when the Federal finances were believed to be healthier than those of the State and localities. But conditions have changed.

The fiscal health of the States and localities has improved and, of course, everybody knows that the Federal Government has declined in terms of its fiscal health. So the program was allowed to expire.

Now, some of the local governments, there is no question, are experiencing fiscal problems. But it is unlikely that many of their problems stem solely or even mainly from the loss of revenue sharing.

From 1982 to 1986, more than $80 billion—it was actually over $83 billion—went to about 39,000 State and local governments. And it was originally intended to target its payments to fiscally distressed communities. The problem, though, from the start of that program was that it was unable to limit the aid to governments that were the most in need.

In the testimony I mention that in order to target funds to the 1,859 lowest income communities in 1983, which are the last numbers we had, we had to give funds to 36,954 higher income communities.

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[1] See p. 155.

Now I mentioned, Mr. Chairman, in the testimony that the 10 wealthiest States received more than the 10 poorest States. Of course, there was a population difference in that those 10 wealthier States, I believe, were larger in terms of total population than the poorest States.

But even if you did it on a per capita basis, the per capita spending on this program to the 10 richest States was $19.14, where the average for the country was $17.72. So the 10 richest States were receiving substantially more than the average of the country, and just slightly less than the 10 poorest States, and I do not believe that that is what the intent of the program was.

GAO found in a 1986 study that the revenue sharing program was only moderately effective. And the numerous attempts to straighten out the distribution formula over the life of the program failed. Also, during the 1970's and to the present, the State and local government revenues have grown more rapidly than the Federal Government.

I was just looking at a statement from the Wall Street Journal that was on June 22, and I am quoting now: "For many States, 1987 is turning out to be a tax collector's dream; unexpected revenues filling State treasuries to the brim."

Then it goes on some more. Further down it says: "The reason Americans are selling long-held assets is to beat the scheduled increase in the top capital gains tax rate to 28 percent from 20 percent, and this year they pay taxes on those gains and the result is a bonanza for State and Federal treasuries."

Then it goes on further down to say: "While a boon to State budget makers, the surprise surge in revenue is also creating a serious problem for the lawmakers who are now eager to spend their new-found money."

The much smaller role played by the Federal aid seems to also have had, Mr. Chairman, little effect on the total expenditures of the State and local sector. Now, plainly stated the Federal Government—with a cumulative deficit of over $2 trillion and an annual interest expense this year of around $138 to $140 billion—clearly has no revenues to share.

This is not to say that we believe that now State and local governments now should go it alone. Federal aid to these governments in 1986 was $112 billion, and most of it targets funds toward the highest Federal priorities. For example, the 3 largest grant programs in 1986 were Medicaid at $25 billion, highways at $14 billion, and AFDC at $10 billion. That total aid level is proposed to be $106 billion this year.

I was asked to discuss the Administration's position with regard to the sequestration under Gramm-Rudman-Hollings in the 1986 general revenue sharing funds. At issue is $180 million, as you know, sequestered by the Treasury and returned to the General Fund due to the termination of the program. This is a matter that I believe is in the Federal District Court at the present time and I would prefer not to speculate on its outcome, since I feel that would be inappropriate.

We do not have a plan to support a replacement program or any variant of the revenue sharing program in light of the deficits that are facing the Federal Government at this time.

I would be more than happy to answer whatever questions you may have, Mr. Chairman.

Senator SASSER. Well, thank you very much, Mr. Wright. I take it from your testimony that one of the real problems that the Administration saw with general revenue sharing was that it was simply not targeted enough, that we were giving money to Beverly Hills, California, on the one hand, which hardly needed it. And on the other hand, also giving it to hard-pressed communities such as the one Senator Heinz described in his State in his opening statement a moment ago.

What I am proposing is a highly targeted approach to communities that have chronic unemployment and have low total tax capacity. What does the Administration say to a targeted approach?

Now, the old general revenue sharing approach cost $4.6 billion and you could make a strong case that Beverly Hills, California really did not need revenue sharing. And I am willing to concede that.

But we are proposing a targeted approach that would cost somewhere in the neighborhood of $1 billion. The old general revenue sharing actually reduced the disparity among the communities by 15 percent, with the expenditure of $4.6 billion. With our targeted approach it is calculated we can reduce the disparity among local governments by 25 percent with only $1 billion expenditure.

Now, in a $1 billion budget, Mr. Wright, with a carefully targeted approach, why cannot the Administration support our efforts?

Mr. WRIGHT. Well, Mr. Chairman, I wish that first of all, when the general revenue sharing was designed, that your formula that you are proposing would have been the formula by which the funds were distributed.

Senator SASSER. If that were the case, would the Administration still be supporting Federal revenue sharing

Mr. WRIGHT. Well, I cannot say what would have happened several years ago. I think that would probably be inappropriate and whatever I would give you would be a personal opinion on it. But I would say that if we would have had a $1 billion program that would have been highly targeted to those in need, we certainly would not have gone for termination with the exact same feeling that this was an inappropriate use of Federal funds.

I am not saying that it would have survived, because there is some pretty tough competition out there for programs right now, but it sure would have stood a better chance, and I think it would have been fairer to those communities who truly needed the funds.

The problem that we find ourself in right now is—particularly from the Office and Management and Budget—whenever we propose, whether it be a $1 billion increase or a $10 billion increase, as you know, under the Gramm-Rudman law, we are saying, let's find an offset to that funding.

Now, we have, as I mentioned, $106 billion going out in terms of Federal grants to the State and local communities. I look at how the distribution is between the areas of health, between the areas of economic development, and I ask, where would we find an offset within the same category to provide that $1 billion?

I think you would find yourself very rapidly into the same dilemma that we have had over the last 15 years to where you have very heavy political pressure from those other communities that would be the "have nots" under your formula.

As revenue sharing, as you know better than I, was reauthorized over the years, they are the ones that brought in the pressure to go ahead and try to maintain the formula so they got a piece of the pie, so they got some of their funds.

Senator **Sasser**. Well, Mr. Wright, it appears to me that is where we need the leadership of the Executive branch of the Government. Here we are at a time of great fiscal austerity, the newspapers reporting this morning that the foreign debt of the United States now exceeds the combined foreign debt of Argentina, Brazil, and Mexico put together. We have seen that foreign debt double in the last year, and now is the time for some leadership, it appears, in this area.

You can make a case that fiscal circumstances are such that we simply cannot justify the old general revenue sharing approach. And so what we are trying to do is to cut the old revenue sharing approach by over 75 percent, and we are asking for leadership from the Administration here to meet the political problems with us and march up here to the Hill with us and say, gentlemen, we cannot afford general revenue sharing any more in the old form, but we do commend you and the Congress for coming with an approach that would save 75 to 80 percent over the old program and we are willing to step up to the plate and try to move this thing along with you politically.

That is what leadership is all about and that is what we are asking the Administration to do. In your view, what are the prospects of the Administration supporting a targeted approach here that would save 75 to 80 percent over the old formula but at the same time, through its targeted approach, do a more effective job in relieving the disparity between local governments?

Mr. **Wright**. Mr. Chairman, I would never want to say what the President would want to do one way or the other. That is kind of a career decision. But I would say, from the Office of Management and Budget standpoint, we would recommend that he not go along with any increased spending at this time, since we feel the most important job of leadership at the present time is to make sure that we get the total Federal deficit down in the interest of the economy without raising taxes.

If we were to come and support new program initiatives at this time when we have a very serious deficit problem, estimated to be around $170 billion in the negative this year, when in total you are going to have a surplus within the State and the local governments, we do not think that would be the appropriate thing to do when the number 1 concern from a leadership standpoint should be the economy.

I would also say that in 1986—that is the $112 billion number—that the Federal grants that are going out to individuals within the State and local programs are $51 billion, up from $16 billion in 1975; for capital, it is $26 billion, up from $11 billion in 1975; and for other grants it is $34.5 billion, up from $22.5 billion in 1975. So the funds that are going to the State and local governments have already dramatically increased and that is one of the reasons why in terms of the overall economic stability, our fiscal responsibility, the desire not to raise taxes and the fact that these funds have gone up substantially, we would not think a new program would be appropriate.

Senator SASSER. Well, with regard to raising taxes, Mr. Wright, the Commission on Intergovernmental Relations notes that 20 percent of all local governments are going to either have to raise taxes or cut services as a result of the loss of general revenue sharing and this indicates that you might be saving a small percentage here at the Federal level but what you are really doing is pushing the tax increases back down to the local level and it is those jurisdictions who can least afford it who are going to have to dig in their pockets and raise taxes. At least that is the appearance that we are getting based on our research and based on the testimony that we have heard today from the General Accounting Office.

I will pause now and defer to Senator Levin for any questions that he might have.

Mr. WRIGHT. Mr. Chairman, can I respond to that just very briefly?

Senator SASSER. Sure.

Mr. WRIGHT. In my testimony on page 7, I said half-way down through the page that between 1980 and 1986 we estimated the total State and local government receipts increased by almost $231 billion. The Federal aid provided only $16.9 billion of that increase. Also during that time, many of the States and the local governments increased their base on a one-time basis in order to get out of the recession and have pulled back on some of those taxes right now.

And so in part when you talk about having to increase the base, they are going back to where they were at one time in some cases, and also that Federal grants have been a small part of their increased revenues, about 7 percent. So Federal grants have not really been the most important part.

Senator SASSER. Senator Levin.

Senator LEVIN. Thank you, Senator Sasser. All of us are indebted to you for holding these hearings on revenue sharing.

Mr. Wright said a few moments ago that the most important task of leadership at this point is to get a hold of the Federal deficit to get that total down without raising taxes. I would like to just ask him a few questions about that.

The President said a week ago Monday, I believe, that his budget met the Gramm-Rudman targets. The Wall Street Journal on May 14 said that an internal White House Budget Office memo said that the President's budget missed the Gramm-Rudman targets by $27 billion.[1]

Which is true.

Mr. WRIGHT. Senator, we are going to be coming out with our mid-session report—and I do not mean to dodge your question—but we are going to be coming out with our mid-session report in about a month or a month and a half and that is when we are going to come out with a formal estimate, as you know.

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[1] See p. 307.

Senator **Levin**. With the what?

Mr. **Wright**. We call it the mid-session report, which is half way through the budget year, where we update it. And so, therefore, I really do not want to go in and give any particular number one way or the other because whatever I give you today will change next week, naturally, as the economic assumptions are updated and all the rest of it.

But as we sit right now——

Senator **Levin**. Well, when the President said it, was it true?

Mr. **Wright**. Well, but as we sit right now we do not, with our estimates, meeting the $108 billion. I will say that.

Senator **Levin**. You do not what?

Mr. **Wright**. We are not meeting the $108 billion at this time.

Senator **Levin**. As of this moment?

Mr. **Wright**. As of this moment, yes, sir, with the proposal that we sent up in January.

Senator **Levin**. So that a week ago Monday when the President said that his budget met the targets, he was wrong?

Mr. **Wright**. No, sir, he was not wrong in January when it was proposed.

Senator **Levin**. He did not say that in January. He said this a week ago Monday?

Mr. **Wright**. The proposal that he came up with, Senator, in January did meet the targets. Now, since then, as you know, there has been a clean water bill passed that was higher than the President's proposal. There has been a highway bill passed which is higher than the President's proposal. There have been economic changes that have occurred. And so that is the reason we have a mid-session report.

In January, by our scoring, when it came up to the Congress it met the requirements of Gramm-Rudman.

Senator **Levin**. So that a week ago when the President spoke he was technically accurate in reporting history that when his budget was sent up here it met the Gramm-Rudman targets even though it may not be meeting those targets as of the moment he spoke?

Mr. **Wright**. Well, you would not expect it to hold steady for any period of Congress, as they are passing laws and the economy is changing.

Senator **Levin**. No, but I would expect the President of the United States to be straight with the people, and when he says his budget met the Gramm-Rudman targets, he is implying that his budget meets the Gramm-Rudman targets.

Mr. **Wright**. Well, sir, I do not have——

Senator **Levin**. I mean, that is a pretty clear implication when he goes to the people and he says, my budget met the targets, now look at the Congress. What he does not say is, by the way, my budget no longer meets the targets folks, I will let Joe Wright say that a week from Tuesday or Wednesday in front of a Subcommittee of the Governmental Affairs Committee.

Mr. **Wright**. Well, Senator, as you know that has been widely reported in the press.

Senator LEVIN. Not that widely. Not nearly as widely as his speech where he says, my budget met the target. That was what was widely reported.

Mr. WRIGHT. Well, as I state again, Senator——

Senator LEVIN. We will see how much your reporting your statement today gets in the press, that his budget no longer meets the targets.

Mr. WRIGHT. Well, I do not think that will be particular news. But I would say also that the——

Senator LEVIN. You mean that if he——

Mr. WRIGHT. Senator, let me repeat—and I think it is extremely important—at the time when we proposed the budget, by our scoring it did meet the Gramm-Rudman targets, and to say that it would hold steady throughout an entire Congressional year with no economic changes and no alterations is naive, and anybody who is reporting the news knows that.

Senator LEVIN. Nobody is suggesting that. No one is suggesting it does not change. My suggestion is that the President be straight and when he says, "my budget met these targets," that he is clearly implying that his budget meets these targets when he knows darn well, because you folks have told him, that it does not meet these targets.

So no one is suggesting that things do not change. I am suggesting quite the opposite, that things do change. We ought to have a President, though, who is aware of the changes and whose speeches reflect the changes, and his speech did not.

His speech very clearly implied that his budget meets the targets, not just that they met the targets. The whole point of that speech is, look, my budget meets those targets and now look what the Congress is doing.

That is okay. We will see just where this leads in terms of public awareness that the President's budget no longer meets the targets and that has been confirmed.

Let me get to the highway and clean water bills. As I understand it, those actions were both authorizations that you just made reference to. They do not directly affect outlays; is that correct?

Mr. WRIGHT. Those were reauthorization bills, Senator, but we both know that they will eventually affect outlays.

Senator LEVIN. But they do not—those actions—do not directly——

Mr. WRIGHT. Those actions—those legislative actions do not actually spend money.

Senator LEVIN. All right. Now, Mr. Chairman, if I have one more minute?

Senator SASSER. You go right ahead, Senator Levin. You are doing a good job here. [Laughter.]

Senator LEVIN. Joe Wright and I always have fun when we get together.

Just one more line of questions at this point. Is it fair to say, Mr. Wright, that the Congressional budget resolution meets the Gramm-Rudman targets just as much as the President's budget?

Mr. WRIGHT. Let's put scoring differences aside, because I do not want to get into a technical discussion with you. I think you are talking about from a philosophical point of view.

Senator Levin. Yes

Mr. Wright. Okay. Minus those scoring differences that we will have with the Congressional Budget Office on defense outlays and a few of the others, I would answer your question that it can meet them to a certain level. I do not believe they will get down to the $108 billion. No, sir, I do not.

Senator Levin. I am not saying that. My question is——

Mr. Wright. But they will have deficit reduction, but it will come——

Senator Levin. That is not my question. My question is does the Congressional budget meet the Gramm-Rudman targets basically just as much as the President's budget?

Mr. Wright. I think probably not. I know that this is what the Senate Budget Committee says, and they say that they have the same amount of deficit reduction as we propose, from whatever base. I would say that it will probably be close, but that there is a big difference from the standpoint of how it is done.

In the Senate they propose raising the taxes, as they did in the House——

Senator Levin. I understand all of that.

Mr. Wright. Well, but that is a very important difference, though.

Senator Levin. I am not talking about how we get there. I am saying, does the Congressional budget get about as much deficit reduction as the President's?

Mr. Wright. About?

Senator Levin. Yes

Mr. Wright. Probably. I think we are probably a little bit more but not much.

Senator Levin. So it is about as much deficit reduction, putting aside for the moment how you get there?

Mr. Wright. Well, but that is a major item to us.

Senator Levin. Mr. Wright, I know that is a major difference, and I do not mind debating that difference. I just want to ask you my question and you can raise some other issue later.

My question is, is there approximately as much deficit reduction in the Congressional budget as there is in the President's budget?

Mr. Wright. Approximately, yes, sir.

Senator Levin. And does the Congressional budget come about as close to meeting the Gramm-Rudman targets as the President's budget?

Mr. Wright. I am not willing to give on that point yet. No, I am not.

Senator Levin. Do you know the answer to that question?

Mr. Wright. I do not know the answer to that question.

Senator Levin. All right. So the OMB does not know whether or not the Congressional budget comes as close, approximately, to the Gramm-Rudman target as does the President's budget?

Mr. Wright. We think it comes approximately as close as the President's budget, but when you say it gets to the point of meeting the Gramm-Rudman target as we do, we still have not fully scored it out.

Senator Levin. All right. What then does the President mean when he blasts the Congress for not getting to the Gramm-Rudman targets, if our budget has approximately as much deficit reduction as his and the OMB has not even scored the Congressional budget as to how close it gets to the Gramm-Rudman target?

Mr. **Wright**. Senator, there is a big difference between January and June.

Senator **Levin**. No, now. I am talking about right now.

Mr. **Wright**. I am talking about June right now. We proposed a snapshot budget, as required by law, in January. If we were to come at this present time and put together an Administration Budget Resolution, we would have to put in additional reductions beyond what was proposed in January, and a 5-month difference is a substantial difference between those two.

Senator **Levin**. You know, I am really amazed at your answer here. You have got the President in the Oval Office or wherever he made this speech from says: "What has happened to the restraint on wasteful domestic spending solemnly promised under Gramm-Rudman-Hollings? It vanished."

Now, you are telling us today that when he made that speech his Office of Management and Budget knew that there was as much deficit reduction, approximately, in the Congressional budget as there was in the President's budget. That is the number 1 thing OMB knew. And OMB did not know then and does not know now exactly how close the Congressional budget came to meeting the Gramm-Rudman target. And yet the President of the United States tells 250 million people that the Congress has missed the Gramm-Rudman target.

Now, I have got to tell you, I do not think that is being square with the American people when our President, using that pulpit, tears the Congressional budget apart on the ground that it does not meet the Gramm-Rudman target when it has not been scored yet by his own OMB and when his own OMB tells us that there is approximately as much deficit reduction in the Congressional budget as there is in the President's budget as of the moment he made the speech.

That is what we are talking about. Now, you can talk about two different periods of time. I am talking about when he made that speech. There is as much deficit reduction in the Congressional budget as there was in his budget and yet he, with a straight face, tells the public what I just quoted. I do not think that is being straight and I think it is ultimately counterproductive with the public and in the short term with the Congress.

I do not think the President cares, obviously, about the reaction of Congress. He is addressing his remarks to the public. So that is probably not even relevant. But in the long term it will catch up to him in the public. It may take a couple of months, but it will catch up to him, and that is really what I am saying.

Frankly, I guess I should not be so darned surprised. Maybe this is what this political ball game is all about, but I am mighty disappointed.

Something else should have been on those 3-by-5 cards. He should have said, by the way folks, there is as much deficit reduction in that Congressional budget as there is in mine. It is a pretty important fact. He left it out and it gives a totally misleading impression. He does it for a highly partisan political purpose. It serves the short-term interest, maybe. I do not believe it serves the long-term interest of this country of getting this deficit down or, frankly, of the Presidency itself.

You have answered the questions that I have asked. I am glad the articles have been confirmed that in fact the OMB has told the President, at least, hey, your budget no longer complies either. I am glad you have done that. That is at least a service and I hope the President will respond and tell the people that.

The White House has never confirmed what you have just told us today. There has been no confirmation of that from the White House, because it is not good news, I guess, and it does not quite fit in with the Congress-bashing rhetoric. Your confirmation today, though, is, I think, useful and we appreciate it.

Mr. WRIGHT. Senator, at the great personal risk of continuing this discussion, may I respond? [Laughter.]

Senator LEVIN. That is fine with me, sure. If the Chairman can stand it, I am happy.

Mr. WRIGHT. That is why I prefaced it that way, but I enjoy having a discussion with the good Senator.

First of all, the White House has confirmed that. Marlin Fitzwater did go out, I would say, about a month or a month and a half ago and said that the estimates were now higher.

Second, there is, as part of this budget process, a major difference between 5 or 6 months, and the President did comply at the time in January with a budget proposal, again, by our scoring, that met the Gramm-Rudman targets. All right. And there has been a change that has occurred in that period of time.

Third, what the President said was an extremely important difference, and I know that you would rather put this off to the side, and what he said is that the domestic spending and the waste that is in the domestic spending have not been curtailed, and that the way that the Congress would fight this is not by continuing to reduce that waste, but to just go and increase taxes.

There is a fundamental difference between the two approaches, and I still would say that we met the requirements of the Gramm-Rudman law. As we will go through the entire process of the appropriations bills we will continue to make recommendations in terms of reducing spending and I doubt very seriously whether the President will go along with the proposals for increased taxes.

But at the time when the President proposed the budget, by our scoring it did meet the requirements of Gramm-Rudman.

Senator LEVIN. It did not at the time he made his speech a week and a half ago.

Mr. WRIGHT. Again, you cannot expect it to hold steady for a period of 5 or 6 months.

Senator LEVIN. No. I would just expect him to hold steady. I would just expect his rhetoric to be realistic. That is all I expect. I do not expect him to be bashing Congress when he knows his own budget does not meet Gramm-Rudman either. He knows it. He has been told that by OMB and you said that his spokesman confirmed it—although I never saw that, I will take your word for that—his spokesman confirmed it.

He still goes out and bashes Congress, they do not meet the Gramm-Rudman targets. And by the way, Gramm-Rudman promised we would meet deficit targets. It did not say we would do it through spending cuts.

I was a supporter of Gramm-Rudman. I helped write Gramm-Rudman and I know, because we fought over every word in Gramm-Rudman. There was nothing in Gramm-Rudman that required us to meet those targets through spending cuts. We had to meet those targets, either through spending cuts or through revenues or through a combination of both.

So he is mis-stating Gramm-Rudman, but that is a minor point compared to his major mis-statement. There is nothing but a clear implication in the President's words that his budget meets the target and the Congressional budget does not. If you can read those words any other way, you are being excessively technical and you are ignoring the impression those words create in the public; purposeful, intended, I have no doubt.

Again, I think the Presidency as well as the President pays a long-term price in terms of credibility when the public realizes, hey, at the moment our President was speaking his own budget was just as much out of sync with Gramm-Rudman as the budget he was criticizing. Just as much out of sync at the moment he was speaking. He was using the Oval Office to create an impression—a false impression.

You can go through some technical accuracies and say, well, at the moment his budget was submitted 5 months back it was in compliance. My point is at the moment he addressed the people.

I think my time is probably long over.

Senator SASSER. Thank you very much, Senator, and thank you Mr. Wright.

I am compelled to say, Senator Levin, that as the President goes around this country talking about his budget, as I understand he is going to do in the next few weeks, maybe we ought to put together a truth squad to follow him around and you might be the man to Chair that. [Laughter.]

Senator LEVIN. I would send his OMB Deputy Director around. I think Joe Wright would be just fine as a truth squad. All he has to do after each speech is say, hey, by the way, Mr. President, tell them your budget is just as much out of sync with Gramm-Rudman as the one you are bashing; do not forget to put that in your cue card.

Senator SASSER. Well, in any case, I think you have done us a service here this morning by laying that whole proposition out.

Mr. Wright, we are going to relieve you here this morning, but before you leave, for the record, I want you to please provide the Subcommittee with figures about increases in Federal aid to State and local governments. It is my contention that real aid to State and local government—that is dollars or aid corrected for inflation—has dropped substantially, especially since 1980.

So a detailed Federal aid listing for the Subcommittee would be most helpful and I would ask you if you would, please, to provide that for the record. That is, provide the Subcommittee with the figures about increases in Federal aid to State and local government that you discussed earlier.[1]

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[1] See p. 164.

Thank you very much, Mr. Wright.

Mr. **Wright**. Thank you, Mr. Chairman.

Senator **Sasser**. Our next witness will be Dr. John Shannon, Executive Director of the Advisory Commission on Intergovernmental Relations. Dr. Shannon will be accompanied by Dr. John Kincaid, the Director of Research.

Dr. Shannon, we want to welcome you here this morning and we appreciate very much you appearing here and giving us the benefit of your views. We are also delighted that Mr. Kincaid could accompany you this morning, so you may proceed, Dr. Shannon, as you wish.

TESTIMONY OF DR. JOHN SHANNON, EXECUTIVE DIRECTOR, U.S ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS,[1] ACCOMPANIED BY DR. JOHN KINCAID, DIRECTOR OF RESEARCH

Dr. **Shannon**. Thank you, Mr. Chairman. Let me say at the outset that we at the Commission certainly appreciate this opportunity to participate in your investigation of what we consider to be a very timely and significant intergovernmental issue.

In your letter of invitation you asked us several questions concerning the impact of the loss of general revenue sharing on local governments. I shall try to be as responsive as possible to those questions.

Your first questions: What has been the policy stance over the years of the Advisory Commission on Intergovernmental Relations with regard to the need for a general revenue sharing program?

The ACIR has had a longstanding record of support for the general revenue sharing program. In fact, we first placed our seal of good housekeeping on the concept of revenue sharing way back in 1967, about 5 years before the actual enactment of the program.

The point must be emphasized, however—and it has come out in your discussions today—that in those days all of our 50 State-local systems were viewed as "have nots" in relation to the affluent and powerfully financed Federal Government. Now the existence of massive Federal budget deficits serves as a very convenient, albeit a believable excuse, for killing off the general revenue sharing program.

Your second question: Is not there a very useful role for unconditional fiscal assistance programs in an overall Federal aid strategy? We say yes. There are at least 3 justifications for sending down aid to State and local governments on a "no strings attached" basis. The first is to reduce fiscal disparities between the "have" and the "have not" jurisdictions. That is number 1.

A second is to compensate local governments for tax exempt Federal property. And the third is to compensate State and local governments for expenditures that the Congress mandates.

Your third set of questions dealt with just what was the impact of the elimination of general revenue sharing on local governments? And our response—and I want to underscore this—we had to respond by obtaining as much quick information as possible. We relied on a very recent NACo survey of county governments, discussions with various knowledgeable persons, recent articles that provided anecdotal information. Then over the last week we conducted a telephone survey of 22 State ACIR Commissions on Intergovernmental Relations, including the one from Tennessee, which by the way pointed out that the loss of general revenue sharing really hurt education in many of the rural counties of Tennessee because the counties had earmarked Federal revenue sharing funds for education, which is somewhat unusual.

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[1] See p. 167 for Dr. Shannon's prepared statement.

Based on these inquiries, however, and other sources of information, we believe that you could divide local governments—like Julius Caesar's Gaul—into about three great parts or three categories.

First, we have the affluent—perhaps 20 percent of all local governments. They appear virtually unaffected by the demise of general revenue sharing. Fairfax County—my own home county in Virginia—certainly would be in that category. The natural growth in their revenues will replace the dollars that flow to them from Washington.

The second and largest group of localities appears able to adjust to the loss of GRS support with changes—albeit marginal changes—in their budget policies. The natural growth in their revenues should help these jurisdictions absorb part or even most of the shock created by the loss of GRS funds. Thus, with modest tax increases or modest cutbacks or both, jurisdictions in this second big category should be able to cope with this revenue loss problem.

The third group, perhaps 20—it might go as high as 30—percent of all jurisdictions can be classified as the "have not" governments, the jurisdictions hardest hit by the loss of GRS funds. These governments will be forced to make major budgetary changes—substantial tax increases, major cuts, or both.

In this category will certainly be found certain urban basket cases, such as East St. Louis. By the way, the typical municipality received let's say $6 in GRS funds for every $100 it raised locally. When we checked East St. Louis, they were receiving about $25 of GRS funds for every $100 that they raised; in other words, four times the impact for an obviously destitute local government.

Now, in addition to these urban hardship cases will be found many small and rural governments. A good share of these governments are located in Appalachia, the South, the Southwest and Midwest. These are the jurisdictions with very anemic revenue bases and they have relied on GRS to provide a substantial share of their funding.

Your next question: Have State governments been able to pick up the slack? Have new State-based revenue sharing programs been enacted that are effective replacements for the Federal money?

While it is still too early to make a real hard judgment on State response, preliminary information indicates that only a few States have used their dollars to offset the loss of dollars from Washington. As we point out here, Massachusetts has come up with a program that is reputed to offset the loss of GRS with State payments ranging from 90 cents on the dollar for the poorest localities to 10 cents on the dollar for the most affluent. Connecticut has come up with a program that offsets partially the loss of Federal revenue sharing.

Over the next few years the loss of Federal revenue sharing will undoubtedly prompt a few more States to provide more aid to the losers in the system, those local jurisdictions with the weakest revenue resources. It will also, undoubtedly—and we are beginning to see this—place more pressure on State legislative bodies to expand and enlarge the revenue rates and authority of local governments.

Your last question: Will various constitutional and statutory limits on State taxing and spending preclude State governments from enacting State-based revenue sharing? In my estimation, Mr. Chairman, few if any States can plead that they are effectively barred by constitutional and statutory limitations from providing more help to local governments. Most States are not bumping up against their tax lids, and the few that might hit their tax lids are also in a position to change budgetary priorities.

To sum up, the death of the Federal revenue sharing program also signals or reinforces the fact that we are in a fend-for-yourself era of Federalism, a development with both positive virtues and negative characteristics. On the positive side, it enhances local self-reliance and encourages local initiatives. On the negative side, it certainly increases the fiscal gap between the "haves" and the "have nots."

In the words of a popular song of a few decades back, the task of Federal and State leadership will hopefully be that of charting policies that accentuate the positive and eliminate the negative.

Before I conclude my testimony, Mr. Chairman, I would like to ask your permission to submit for the record a short report that summarizes the results of our telephone survey of State ACIRs and the impact on revenue sharing, if I may.[1]

Senator SASSER. Yes, we would like very much to have that information, Dr. Shannon.

Dr. SHANNON. Thank you. This concludes my testimony, Mr. Chairman.

Senator SASSER. Thank you very much for your testimony here today. You note that perhaps 20 percent of all the local governments will have to cut services and raise taxes due to the loss in general revenue sharing, yet most States do not have aid programs that make up for revenue sharing losses.

Now, where are these local governments going to turn in the time of need? Realistically, how much more can they tax themselves when some of them are already poor and distressed?

Dr. SHANNON. In many cases they will resolve the problem by doing without. They simply will cut the services that heretofore had been funded with GRS dollars, and in many cases the answer will be to cut back or to eliminate either those services or those programs.

In other cases, there will be tax increases. But you are putting your finger on one of the critical problems of the Federal system, and that is, how do you design a program or how do you take care of the equity question? And that is, how do we protect the losers in the system from losing too much? And obviously, the loss of revenue sharing underscores the fact that the weakest elements in our local governments are the ones who are going to be the hardest hit.

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[1] See p. 174.

Senator SASSER. Well, you have indicated that in your view we are in an era of what you would characterize as fend-for-yourself Federalism. Should we have a more constructive philosophy of Federalism that aids local governments with the greatest public service needs and the most pressing fiscal burdens? If we do not do that, how can we say that we are even practicing any substantial degree of Federalism?

Dr. SHANNON. Well, in response to your second question, you said, under what conditions can you justify sending money from Washington down to the States and the localities on an unconditional basis? And this is one of them. This is it, to reduce the disparities between the "haves" and the "have nots."

If there is a convincing case—now, I can remember a former very distinguished United States Senator, Paul Douglas, who was commenting on this problem years ago when we first raised the issue, and he said, the trouble is, in order to help feed the poor we are going to have to prepare a banquet for the multitude. In order to help the poor,we have to help the rich and those in between, and that is what general revenue sharing did. It helped the Beverly Hills. It helped the in-betweens.

In an era of fiscal austerity it is conceivable that we could develop a program that rifled in aid, targeted it to the really needy.

Senator SASSER. Well, if we do that, Dr. Shannon, what are the factors that should be used to target these funds to the areas of greatest need?

Dr. SHANNON. Obviously, one of the most important is the income level of the community. That has to be one of the critical areas. The other is the strength or the weakness of the tax base. These are the critical elements. Now, you can work them in all types of combinations.

But the fiscal capacity of the community—whether you use per capita income as a proxy for it, or whether you want to use more sophisticated measures of fiscal capacity—would have to be given heavy weight.

Now, I would like to say that I am speaking for myself on this, because although the Commission has had a long history of the support for the general revenue sharing concept, it has not dealt with the issue that you are raising, the formulation of a new targeted program. So these are strictly my views, and my colleague, Dr. Kincaid, might want to comment. Do you have any comments?

Dr. KINCAID. No, I do not.

Senator SASSER. Well, I note that few States have a targeted fiscal assistance program. What is the reason for that? Is it just simply the political difficulty of trying to target these funds?

Dr. SHANNON. Yes.

Senator SASSER. As Senator Douglas said, you have got to prepare a banquet for the multitude in order to get the program passed?

Dr. SHANNON. Especially when the money is going out on an unconditional basis it is extremely difficult—whether it is a State legislative body or a national legislative body—to use the discipline and say no, we will just target to the neediest. In order to buy the support of legislators from the affluent districts, they have to be cut into the action. I mean, that is the general rationale and that, undoubtedly, is one of the reasons why we do not see, even at the State level, very many examples of high targeting.

However, I should note this. The States have over the years developed a pretty good track record in one area, and that is the school area. School equalization aid in many States now definitely has an equalizing spin to it. They are building in more equalizing power into those school aid formulas. So the States are not strangers in a strange land when it comes to this exercise.

But up until now, with the exception of Wisconsin and Minnesota and a few other States, the efforts to target or to advantage much more the poorest districts have been relegated to the educational finance area.

Senator SASSER. Why would the States be sensitive to trying to have equality of funds with regard to education and not in other areas?

Dr. SHANNON. Education is considered one of these spillover functions——

Senator SASSER. In other words, you are not going to visit the poverty of the parents on the children? That would appear to be inequitable, I suppose.

Dr. SHANNON. Yes. Education has always been looked upon as at least a combined State-local responsibility whereas police, fire and local parks are considered essentially more local in character. So I believe that this is why we have seen the pioneering State efforts largely confined to educational finance.

Senator SASSER. I am wondering if this targeted assistance program could be sold on the basis that it is necessary to keep a jurisdiction's problems at home in the sense that if we do not go with a targeted fiscal assistance program, what we are going to see is the exportation of a local jurisdiction's problems to a more affluent jurisdiction, and that becomes that jurisdiction's problems.

Of course, we have seen that, historically, in this country. I remember very well in my area, when we used to export our problems to Detroit and other places—the problems of poverty and lack of opportunity at home, so they simply went to the great industrial cities of the country. New problems over a period of time were created there.

Could we sell it on that basis, Dr. Shannon, politically? Would that be viable and persuasive, or do you have any reaction to that?

Dr. SHANNON. It is one of the arguments that might cause a Representative from an affluent jurisdiction to vote yes to a targeted program that did not do much for his district in the obvious, immediate sense of the term. In that sense, it might. This could conceivably win over some support from those jurisdictions who would not benefit—or from the Representatives of districts that would not otherwise be aided. But if they take the long-range view, it is enlightened self-interest.

Senator SASSER. Well, I have always found it very difficult for people in the Legislative branch of Government to take a very long view of matters. They usually do not extend a great deal longer than the next election, unfortunately.

We may, in order to get this legislation, make it politically viable, have to resort to the time honored tradition of a little log rolling.

Dr. **Shannon**. A little spreading.

Senator **Sasser**. A little spreading around.

Well, Dr. Shannon, I want to thank you for appearing here today, and thank you for accompanying him, Dr. Kincaid.

The Subcommittee will continue these oversight hearings tomorrow. I think we have heard some good testimony today. The Comptroller General and Dr. Shannon have indicated the value of a targeted fiscal assistance program to areas with high unemployment and low income. And even the representative of the Office of Management and Budget did not seek to fully refute the value of targeted assistance.

I am confident that our witnesses tomorrow will provide further illuminating testimony about the loss of general revenue and the need for a targeted assistance program that will help the "have not" governments.

These hearings today are adjourned.

[Whereupon the Subcommittee recessed, to reconvene at the call of the Chair.]

LOCAL FISCAL IMPACT OF THE LOSS OF GENERAL REVENUE SHARING

THURSDAY, JUNE 25, 1987

U.S. SENATE,
SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY,
FEDERALISM, AND THE DISTRICT OF COLUMBIA,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9:45 a.m., in room SR-385, Russell Senate Office Building, Hon. Jim Sasser, Chairman of the Subcommittee, presiding.

Present: Senators Sasser and Heinz.

OPENING STATEMENT OF SENATOR SASSER

Senator SASSER. The Subcommittee will come to order.

I want to welcome everybody here this morning. We appreciate very much the attendance of the witnesses and other interested parties. We have a room full of distinguished people today, not the least of which is my former colleague who served on this Committee for a number of years, my great friend, Senator Mac Mathias.

This is one of a series of hearings that I have been holding this week, both in my home State of Tennessee and here in Washington, to examine the impact of the loss of general revenue sharing on local governments around the country.

I listened to testimony earlier this week from communities, large and small, prosperous and poor, as to how they are coping with the loss of general revenue sharing. And to be candid, the responses were practically identical. They are being forced to either raise local property taxes or sales taxes, both of which are regressive taxes, on the one hand, or to cut essential services on the other, and according to a recent survey 28 percent of the counties surveyed have had to do both, cut services and raise taxes to make up for the loss of general revenue sharing.

The notion of Federal-local government partnership, so prominent in the general revenue sharing approach, has been dealt a serious blow with the loss of the general revenue sharing program.

The purpose of these hearings today and previous hearings has been to build a conclusive body of evidence upon which to develop an alternative program that is especially targeted to those communities most in need.

Now, such a targeted approach as I envision would address two primary factors: Number one, communities with chronically high unemployment and, number two, communities with a low taxable resource base.

One of the major criticisms of the now defunct general revenue sharing program was that it spread monies to communities regardless of their need, and you had the situation where Beverly Hills, California, for example, those who frequent Rodeo Drive, received the same amount of general revenue sharing as those in some of the most destitute communities across the country. And on this point, we simply have to concede that some of the opponents of general revenue sharing were correct, and it is very difficult to argue the opposite side of that case.

However, if there exists a problem with the program, my view has been that if the overall program is worthwhile and good, you try to fix it. You do not just abandon the program altogether.

Conceptually, general revenue sharing is a sound program, and we want to build upon this solid foundation, but at the same time reorient the application of the program to those communities that are most in need. Such a targeted approach will not only be more practical from a conceptual standpoint, but also more practical and efficient from a budgetary perspective.

It is not realistic to expect that we will be able to enact a $4.6 billion spending program, given the steadfast opposition of the administration, given the severe budgetary constraints and fiscal austerity that we are currently operating under.

The legislation that I am presently engaged in drafting would cost roughly about $1 billion, so we can say to OMB and others that we are saving about 80 percent over the general revenue sharing program, and that is quite a bit.

Now, it must be remembered that the primary rationale offered by the administration for the elimination of general revenue sharing was cost. There was no substantial criticism of the program on its merits.

I asked the Deputy Director of the Office of Management and Budget in hearings that we held yesterday whether the administration would support an alternative targeted fiscal assistance approach. Well, unhappily, his reluctant answer was they could not do so because we simply could not afford it. Well, I think we can afford $1 billion to further the cooperation and a truly federalistic approach between the national, State, and local governments.

Well, we look forward to hearing from our witnesses today and I will be working closely with them in the coming months in an effort to devise an alternative solution to what is a genuine and pressing set of problems.

We will hold the record open to receive a statement from the ranking member, Senator Heinz of Pennsylvania, who has been diligent in attending these hearings and has a vital interest in the legislation we are seeking to develop, but I think he has probably been delayed at the Banking Committee markup this morning.

Our first witness will be Mr. Gerald McEntee. If you would come forward, Mr. McEntee. He is currently the President of the one-million-member American Federation of State, County, and Municipal Employees, up until recent times, and I suspect still is the fastest growing labor union in the country.

He has been President and has served with distinction since 1981. Gerry, if you would, for the purpose of the record, identify your colleagues who I know, but the reporter does not, and we will proceed.

TESTIMONY OF GERALD W. McENTEE, PRESIDENT, AMERICAN FEDERATION OF STATE, COUNTY, AND MUNICIPAL EMPLOYEES,[1] ACCOMPANIED BY IRIS LAV, PUBLIC POLICY DEPARTMENT, AND STEVE SILBIGER, LEGISLATIVE DEPARTMENT

Mr. McENTEE. Iris Lav, here on my right, from our Public Policy Department, and Steve Silbiger, from our Legislative Department.

Senator SASSER. Welcome.

Mr. McENTEE. It is our pleasure to be here, Senator. You said the fastest growing union in the American labor movement and you are correct. As a matter of fact, instead of a million members, we are growing so fast that it is 1,150,000. That just happened in a few days.

Mr. Chairman, on behalf of our union, I would like to thank you and Senator Heinz for your understanding of the needs of States and local governments. It is our understanding that the Subcommittee will hear from local government officials who will testify on how their communities lost vital services because of the elimination of revenue sharing.

I believe their first-hand accounts are critical to Congress' understanding of the problems faced by our cities and counties. However, as a representative of a national union, I believe that it would be more useful if I used the few minutes allotted to me to give an overview of why Federal fiscal assistance to local governments is still very much needed.

Mr. Chairman, our union believes that a Federal revenue sharing program is a permanent necessity in our complex technological society. Revenue sharing is a necessity because under our particular form of Federalism, the responsibility for the most crucial and vital services, ranging from the purity of our water to the maintenance of our sewer systems, the cleanliness of our streets, the police and fire protection, to education, is placed on State and local government.

However, State and local governments, because of a perception that increased taxes will result in the out-migration of industry, have never developed the broad tax base that is needed to adequately fund these services.

For most of our history, this mismatch of responsibilities and resources was not a critical problem. State and local governments could kind of muddle through when education meant providing a teacher and a primer and did not require laboratories and computers, when a sewage system terminated at the nearest body of water and did not require waste water treatment plants that cost hundreds of millions of dollars, and when the prison population was a small fraction of what it is today.

For better or for worse, those days are gone. The era when the local property tax and the State sales tax could pay for an adequate level of services passed decades ago. This is why in the 1970s, under a conservative Republican President, the Federal Government expanded aid to States and localities.

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[1] See p. 178 for Mr. McEntee's prepared statement.

I repeat this bit of history to remind us that increased aid to State and local governments did not come about as a result of the liberal binge of Federal generosity, and that revenue sharing was developed as a bipartisan, conservative and prudent response to very real needs. Those needs have not disappeared; by any measure, they have increased and they have intensified.

Competitiveness is the new buzzword in Washington. We are all alarmed by the record trade deficit. We all know that the Nation must improve its productivity if we are to maintain the American high standard of living. We also know that a well-educated workforce and a sound public infrastructure are absolutely necessary if we are to successfully compete with our trading partners. Yet, we seem to forget that over 90 percent of the funding for elementary and secondary education comes from State and local government funds, as does two-thirds of public works expenditures.

State and local governments cannot provide quality education to our children and maintain its infrastructure without Federal assistance. Congress may have stopped funding revenue sharing, but the need for a literate workforce with math and computer skills to run our complex industry remains.

Eventually, we will have to reestablish revenue sharing programs to upgrade our education system and to deal with the problems caused by deferred maintenance and abandoned services. The current political atmosphere and the Federal budget deficits, however, make it very unlikely that a general revenue sharing program will be reestablished in the near future. Nonetheless, we believe it is incumbent that Congress at least provide assistance to economically depressed communities that cannot provide basic services now that revenue sharing has been terminated.

Mr. Chairman, there are hundreds of such communities, as we all know. The recovery itself has been a very uneven one, with very difficult effects on different regions of the country. While Wall Street has boomed, many businesses on the main streets of steel towns, farm communities and mining and drilling centers have gone bust. Property values have plummeted in these communities and they have been forced to retrench and retrench again.

Many communities in our country no longer have the most basic services. Along Route 52, which stretches the width of southern West Virginia, there is hardly a town that has not turned off, or turned down, their street lights because they cannot meet their electricity bill. In these communities, school budgets have been pared to the minimum and road repairs halted. How are these communities, which suffer unemployment rates of 40 percent or more, going to attract any industry if they cannot provide the most basic of services? Without Federal aid, these communities are most likely doomed.

There are some in Washington who believe that the plight of these communities is the responsibility of the State government and not the concern of the Federal Government.

Any objective analysis of State government budgets will reveal that they are in an extremely precarious fiscal condition and are not very likely to shoulder the burden of helping depressed communities pay for essential services. As my written testimony indicates, State balances are at their lowest level since these statistics have been kept. In addition, many States have cut their already enacted budgets as they did in 1982, the year of the worst recession since the Great Depression.

While overall the national economy has grown in the last five years, regional recessions have depleted the resources of most State budgets. The problems of the steel, farm, mineral and oil industries have also had a severe effect upon local revenue bases.

Recent surveys by the National League of Cities and the National Association of Counties indicate that a high percentage of local governments had to raise taxes last year. Despite this overwhelming evidence, there are still some in Washington who claim that the windfall from last year's Federal tax reform will enable State and local governments to solve their fiscal problems.

As the data in my written testimony developed by our economists indicates, the windfall from tax reform was oversold in Washington and under-utilized in State capitals. If one excludes the relatively prosperous States of California and New York, the entire windfall for the remaining 48 States could have at best amounted to $3 billion. This $3 billion maximum potential windfall is only slightly more than $2.4 billion that has been cut from State budgets in the last nine months. It is only slightly more than the $2.6 billion that State and local governments have lost in severance tax revenues alone in the past year. It is less than the $3.6 billion in general revenue sharing funds lost in States other than New York and California.

And if it is compared to the $13 billion in annual Federal grants in aid to State and local governments lost between 1981 and 1986, its inadequacy becomes very clear. However, even this limited potential windfall from the tax reform did not materialize.

Intense political pressure applied by State business communities exploiting misplaced fears about projecting poor State business climate has forced all States except those in the most dire fiscal straits, to return the windfall to the taxpayers.

Even in West Virginia, where some communities, as I mentioned, have turned off their street lights, where the State university was almost closed down a month early this year because of budget cuts caused by declining revenues, and where sheriff departments have been so depleted that most counties have announced that they will take no more prisoners, the entire windfall was passed through to the State taxpayers in West Virginia.

I have cited all this evidence to make the point that States are not in a position nor have they shown any inclination to help distressed communities. If these communities are to be helped, it will require a Federal effort.

Mr. Chairman, we believe that the targeted fiscal assistance program that you and Senator Heinz have been working on is an effective way that these communities can be helped. If properly targeted, such a program can have a minimal impact on the deficit and a substantial impact on the quality of life and the future economic viability of distressed communities.

We believe such a targeted fiscal assistance program should rely heavily on indicators of need, whether they be per capita income or poverty or unemployment rates. We also would like to see tax effort used as one factor in determining allocations under the program. Tax effort was used in the general revenue sharing formula. We believe it serves the valid purpose of encouraging States and localities to do the most they can with their tax bases.

Mr. Chairman, finally, I want to let you know that the enactment of a targeted fiscal assistance program is one of the highest priorities of our union. We are prepared to vigorously support such a program and look forward to working with you on legislation which will restore necessary services to America's depressed communities.

Thank you very much, Senator, and I would like to answer any questions that you may have.

Senator SASSER. Thank you very much, Mr. McEntee. I only have one or two questions. I will make this observation: You mentioned Route 52 in rural West Virginia and the poverty there and the problem there.

I have just returned from upper East Tennessee, which shares many of the—it is in the Appalachian Region and shares many of the same problems with West Virginia. So I am very familiar with the problems of these distressed communities and the hardships that have been visited on them and their governments by the loss of general revenue sharing.

Last year, Senator Moynihan and I offered an amendment on the floor of the Senate which would have saved the revenue sharing program, and during that debate I argued that what we were doing by abandoning general revenue sharing was simply shifting the tax burden to those communities who could least afford it. Would you and the union that you represent agree with this assessment?

Mr. MCENTEE. I do not think there is any question about it. It did shift the burden to so many of these localities, the level of local government that could least afford it. That is also the level of government that utilizes the most regressive tax system that we have in the United States. And when you talk about places in Tennessee and places in West Virginia, where they just cannot even raise taxes any more and as a result we have dramatic cuts in services. You can multiply the West Virginias and the Tennessees and talk about Oklahoma and Louisiana and Texas, and we could just provide this Subcommittee with a list of horror story after horror story, and that is only the beginning, because we have States like Minnesota and Wisconsin where they do not have specific horror stories today but the horror stories are in the making. You are going to see them in one, two, or three years, because of the loss of this most critical Federal program.

We really think revenue sharing one of the most flexible and successful Federal programs that has come along in decades. As we underscored in our testimony, it was brought about by a conservative Republican President with very deep bipartisan support. With you and Senator Heinz working together we see the beginnings once again of that bipartisan support for a program that is just desperately needed at the local community level.

Senator SASSER. One final question: You mentioned in your statement that the inability of local communities to provide the basic services will make it impossible for them or very difficult for them to attract industry into these depressed areas. Would it be your view that this would lead to an out migration of citizens ultimately from these depressed areas to the cities or more prosperous areas and thereby creating more urban problems? We have seen that in past times in our history.

Mr. MCENTEE. I think your assumption is absolutely correct. We are one of the largest unions in the State of West Virginia and our union still is growing. In order to prepare for these hearings, we had some extensive discussions with our people down in West Virginia. As hard or as harsh as this sounds, our people say that the State of West Virginia is at the point that if something is not done we might as well close the State of West Virginia.

I do not know if it is as difficult or as drastic in the State of Tennessee, but that is the feeling of the people in West Virginia. I think that underscores the point that you are making in terms of if these services continue to decrease in States like this, that what industry is left will eventually leave and the population of the State will leave as well. The young people will leave that State. Many of them find their ways to major urban centers and some of the major urban centers that are also faced with some of the same problems. Those areas will see their costs continue to go up. It becomes almost a vicious cycle.

We feel that the Federal Government has to step in and end the cycle by providing some kind of money. We understand the deficit problem, but this need to provide some of the money to targeted communities is critical and they desperately need the help right now.

Senator SASSER. All right, one final point also. You made the statement in your opening statement that States have not taken advantage of the so-called windfall that was in the tax bill that was passed recently.

Based on that, would you agree or disagree with some observers who say it is the problem of the States and the States will come up with programs to pick up the general revenue sharing if the Federal Government will simply stay out of it and leave it alone?

It would appear to me that the States' conduct when they received the so-called fiscal windfall under the tax bill would militate against that argument.

Mr. MCENTEE. I think that is correct. We saw the windfall. We saw State after State after State, for a variety of political reasons, one particularly being the business climate created that the thought that if the windfall was not given back, that there would be some kind of public political revolt in those particular States and maybe even affect industry in those particular States.

So, many, many, many of these States do not have any money. They do not have any surplus. We quoted the figures, and they are in our written testimony. In terms of the amount of State reserves on an average, generally speaking, are at the lowest level that they have been for many, many years. So they do not have the money, to begin with.

The second point is this: We have found in the past, even in many States, which have had a couple bucks and had some surpluses, that there is a reluctance to share this surplus with local communities. A reluctance to share it with cities for a whole variety of reasons that may have to do with the makeup of that State legislature; that may have to do with the difference between a rural constituency and an urban constituency. We can go on record and say that even where States have had money they are extremely reluctant to share that money in terms of taking care of some of the problems at the distressed community level.

Senator **SASSER**. Thank you very much, Mr. McEntee, for your testimony here today. It has been very, very helpful to us and we appreciate both you and your colleagues in joining us today and giving us the benefit of your views.

Thank you.

Mr. **MCENTEE**. Thank you very much, Senator.

Senator **SASSER**. Our next witness this morning will be Mayor Art Holland, the Mayor of Trenton, New Jersey, who is under some time pressure, I understand, to catch an airplane. So, Mayor Holland, we appreciate you being with us.

Mayor Holland is the Vice President of the U.S. Conference of Mayors. I am delighted to say that they held their annual convention in my home town of Nashville, Tennessee, last weekend. Mayor, you seem to have survived that very well.

The Mayor is a member of the National League of Cities' Advisory Council, and we are delighted to have you here with us.

Mayor Holland.

TESTIMONY OF ARTHUR J. HOLLAND, MAYOR, TRENTON, NJ, AND VICE PRESIDENT, U.S. CONFERENCE OF MAYORS [1]

Mayor **HOLLAND**. Thank you, Senator. One not only survives a visit to Nashville, but is certainly improved for having been there. It is a beautiful city and a great State.

I am pleased to appear before you, representing the United States Conference of Mayors and the National League of Cities. We are here because of the extremely important subject, the impact of the loss of revenue sharing and the need for a new program of fiscal assistance to help our needy local governments.

The revenue sharing program was terminated at the end of last year. It was a very important source of flexible funding for local government. Most cities invested these funds in job producing infrastructure and service programs. Many cities also used revenue sharing funds to comply with some of the many mandates imposed on local governments by the Federal Government. Some of these requirements have been very difficult and costly for the cities to meet, including clean air, clean water, and environmental mandates, and a myriad of requirements associated with housing programs, the red tape involved in applying for and receiving many Federal grants in aid, and the growing multiplicity of restrictions on the issuance of tax-exempt bonds.

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[1] See p. 189 for Mayor Holland's prepared statement.

Yet, at the same time that we are confronted with a growing number of Federal mandates, we have fewer resources available to meet them. Over the past two years, the Conference of Mayors and the National League of Cities have conducted several surveys of cities to analyze the impact of the loss of Federal general revenue sharing funds.

The Conference of Mayors is currently conducting an up-to date study of the impact of the loss of revenue sharing funds and the costly effects of Federal mandates. Our study of revenue sharing conducted last year concluded that tax increases and service cuts would be the inevitable results of the loss of revenue sharing funds. This is what has happened in cities across the country.

According to a just completed National League of Cities survey of city fiscal conditions, cities are facing a deterioration in municipal fiscal conditions and the loss of general revenue sharing is a major factor. Based on the responses of the Nation's top 25 cities, most cities are facing up to their responsibilities to their citizens by cutting services and postponing capital investments.

The loss of general revenue sharing marked a 24 percent reduction in direct Federal aid to municipal governments. For smaller communities, revenue sharing was the only form of ongoing Federal support they ever saw. The alarming statistics do not tell the complete story, since the impact of the loss of revenue sharing depends on the local fiscal year and in many cases is not reflected in the data the National League of Cities received. Over two-thirds of the survey group received some revenue sharing funds in the last recent budget covered by the National League of Cities survey.

Forty-four percent of the cities responding to the National League of Cities survey said that the loss of revenue sharing would have a significant impact on capital outlays. Over one-fifth of the cities said that there would be a significant impact on public safety, police and fire. Public works and parks operations would be affected by 18 percent of the cities responding. The loss of revenue sharing appeared as a factor in almost every survey that reported cutbacks and new revenue measures.

How are cities responding to this loss of revenue? State governments are not in any position to cushion the loss of general revenue sharing. The March 1987 "Fiscal Survey of the States," conducted by the National Governors Association and the National Association of State Budget Officers, found that 23 States were forced to cut their already enacted 1987 budgets to avert pending deficits. Only 3 percent of the cities report that their State is making more revenue available to help replace general revenue sharing.

Sixty-five percent of the cities in the survey report that their State is providing the same level of assistance as in the past, with no increase. Nineteen percent of the cities report that their States are actually providing a lower level of assistance. Very few, 6 percent, of the cities report that their State government has authorized cities to impose new taxes, and only with the approval of local voters. Six percent of the cities report that their State government has authorized cities to impose new taxes, without requiring approval of the local voters.

The Conference of Mayors and the League of Cities are very committed to enactment of a targeted fiscal assistance program. Just last week, meeting in Nashville, as you noted, the Conference of Mayors unanimously adopted a strong policy resolution urging congressional adoption of such a program. I am attaching a copy of this resolution to my statement.

In addition, our organizations were very active in the mid-1970s in winning enactment of the last targeted fiscal assistance program—or, as it was then called, the "countercyclical" program. We worked with the Carter administration to redesign the program in 1979 and 1980, but the program was not reenacted. The countercyclical program was an extremely important source of funds for cities suffering from high unemployment and economic hardships.

In the 1970s, it was the northeastern and midwestern cities with the highest unemployment rates and the seemingly most intractable economic problems. Today, some of those same cities, especially in the northeast and the mid-Atlantic, are on sound economic footing; and it is Texas, Louisiana, the farm belt and other areas which have high unemployment.

Yet, some of the cities with economic problems in 1975 still encounter problems today. For example, many cities in Michigan, Illinois, Ohio, Indiana, Wisconsin, and Minnesota are still suffering double-digit unemployment rates, because of the long-term decline in employment in the auto, steel, rubber and related industries, and despite the efforts of these cities and States to attract other business and jobs to the region.

The unemployment confronting cities around the country is not caused by city policies or actions. Rather, these economic problems are generated by Federal and international policies over which local officials have no control, declining U.S. global competitiveness, falling oil prices, the over-inflated dollar, the long-term movement of higher wage industrial jobs overseas, and past problems of high interest rates and unavailability of farm credit.

Thus, it is important to design an even-handed and fair formula for the distribution of targeted fiscal assistance which meets the diverse needs of different cities and regions. As we mayors have found in working with the Congress in the past, reaching political consensus on a formula is an arduous task—witness the length of time it took to develop the revenue sharing formula. But we know that with your commitment and ours, we can do it.

When local unemployment rate rises, cities encounter intense budget, economic and social problems. This is because unemployment causes local tax receipts to decline, especially for those cities that have been fiscally responsible and diversified their tax structures. Income, sales and excise taxes are much more sensitive to economic decline than the traditional property tax.

In addition, when unemployment rates rise, local expenditures rise, too, for combating crime, for social services, health care costs, housing aid for the homeless, and so forth. At the State and Federal levels, costs rise for unemployment compensation, welfare, Medicaid and a wide range of human service programs.

Mr. Chairman, there is a profound need for a program of targeted fiscal assistance to help those cities experiencing temporary transitional economic problems, as well as those experiencing more chronic long-term economic decline. The U.S. Conference of Mayors and the National League of Cities pledge to work with you as you attempt to formulate a desperately needed program of targeted fiscal assistance.

Thank you.

Senator SASSER. Thank you very much, Mayor. Just one question and observation, because I know you are operating under considerable time constraints this morning.

This week, Mayor Fulton, the Mayor of Nashville and the former President of the U.S. Conference of Mayors, testified that his city, Nashville, was doing very well, and a lot of other cities were doing or some were doing very well. But he went ahead to say that this doesn't mean that we should turn our backs on communities that have been most severely impacted by the loss of general revenue sharing, that we at the national level must provide for all communities in need. Would you agree with that?

Mayor HOLLAND. I certainly would. It is a very responsible and sensitive attitude. We have our present form of government, the Constitution, which we celebrate this year the 200th birthday, because the Articles of Confederation just did not work. We needed a centrally responsible resource and that in effect is what Mayor Fulton I think is expressing.

In our State of New Jersey, for example, if there is a severe coastal storm, we do not hesitate to send aid there and we would hope that people in regions that are not adversely affected would, given time, respond to needs in other areas or whatever the jurisdiction might be.

Senator SASSER. Well, Mayor Fulton's observations were not totally altruistic. His city is doing very well, as you know, but one of the problems that these islands of prosperity or oasis of prosperity, one of the problems experienced when they are surrounded by areas which are not sharing in that prosperity, is that they start importing or inheriting the problems of the less prosperous areas.

Of course, Nashville is now starting to do that to some extent, so I think it argues very powerfully for a strengthened sense of Federalism on the part of the Federal Government that we are all in this boat together and there needs to be at least some rough equality of the type of services and the level of taxation that are imposed on local governments and local citizens.

Mayor, I know you have got to go. We appreciate very much you being with us today. We may have additional questions for you which we would submit for the record and ask you or your colleagues at the Council of Mayors to respond to, the Conference of Mayors to respond to in a timely fashion.

Mayor HOLLAND. Senator, just before leaving, I want to stress the importance of the point you just made, that in any given area there can be an aura of prosperity and yet within that very area there can be extreme need.

For example, in our County of Mercer there are 13 municipalities. Trenton is the central city, with less than a third of the population, but 70 percent of the poverty is in our city, and while the countywide unemployment rate may be as low as 3 or 4 percent, ours will be 8 percent and in certain sections as high as 30 and 40 percent.

Senator SASSER. Thank you very much, Mayor Holland.

We next have a panel of distinguished officials, and they consist of Mr. Richard B. Dixon, Mr. Christopher Lardis, and Mayor Dan Britza, if they would come forward. I think they are accompanied by our distinguished former colleague who will introduce them.

I want to welcome you this morning, Senator Mathias. Senator Mathias for a number of years served as a distinguished member of this Committee, and his fine hand can be detected in much of the legislation that emanated from this Committee over the past few years.

Senator Mathias enjoyed enormous respect from both sides of the aisle when he served here in this body, and we welcome him back today in his new capacity.

Senator Mathias.

TESTIMONY OF HON. CHARLES McC. MATHIAS, FORMER U.S. SENATOR FROM THE STATE OF MARYLAND

Senator MATHIAS. Mr. Chairman, thank you very much.

First of all, let me say that in strict observance of both the letter and the spirit of the rules, I am not here to testify but I think it might be permissible for me to say that I am heartened by the fact that you are showing this interest in revenue sharing. One of the discouraging things at the time I left the Senate was the fact that revenue sharing seemed to be in such a low state, and this revival of interest, this renewal of concern about revenue sharing is very heartening to me.

Second, I am delighted to see this vigorous exercise of jurisdiction of this Subcommittee. I think it is an important thing to do and I am delighted to see the Committee as active as it is in this area.

What I really want to do is introduce this panel. Earlier you mentioned Rodeo Drive, and it is prescient that you should have mentioned Rodeo Drive, because we have Richard B. Dixon here, who is the Chief Administrative Officer of Los Angeles County. I suppose Mr. Dixon would have to admit that Los Angeles County is very strong as an economic unit. If it were a State, it would be the seventh or eighth richest State in the Union. If it were an independent sovereign nation, it would be I think about the 19th richest nation in the whole world. So your remarks about Rodeo Drive are of some pertinence.

But as Mr. Dixon can also tell you, there is not only Rodeo Drive in Los Angeles County, there is also Watts and that is what makes your job here so complex and so important. Los Angeles County, on the dark side of the ledger, has 46 percent of all the narcotic arrests in California, which creates an enormous burden on the county. It has 50 percent of the general relief burdens in the State of California, 50 percent, and as the Chairman knows, the general relief burden is that part of the burden which is carried 100 percent by the county—50 percent of the whole State of California.

It has more people in jail than some of the counties in California have in total population. As a matter of fact, it has as many people in jail as it would take to man two full infantry divisions, which is a rather sobering thought.

Senator **Sasser**. It may be a way to solve the manpower shortage, Senator.

Senator **Mathias**. And it has 32 percent of all the illegal aliens in the United States, to the extent that that can be determined. As the Chairman knows, who the illegal aliens are and where they are and how many there are is a little bit fuzzy figure.

Eighty-three percent of all the babies born in the county hospitals are born to illegal aliens. So even in this rich and prosperous important community, there is extraordinary burden. Well, Mr. Dixon will tell you more about that, and I am just glad to have had a chance to say a word.

Thank you so much.

Senator **Sasser**. Thank you very much, Senator.

Senator **Mathias**. If I may be excused, I will——

Senator **Sasser**. Yes. Thank you, we appreciate very much you being here with us today.

Mr. Dixon, after that introduction, I think you probably ought to proceed first here. I have just realized that the county you represent has about twice the population of the State I represent, so with that statement why do you not go forward.

TESTIMONY OF RICHARD B. DIXON, CHIEF ADMINISTRATIVE OFFICER, COUNTY OF LOS ANGELES, CA; [1] CHRISTOPHER LARDIS, PRESIDENT, TRUMBULL COUNTY BOARD OF COMMISSIONERS, TRUMBULL COUNTY, OH; [2] AND DAN BRITZA, MAYOR, ALIQUIPPA, PA

Mr. **Dixon**. Thank you, Mr. Chairman. Chairman Sasser, let me share Senator Mathias' observation. It is heartening to those of us in local government, and the county government level in particular, that the Senate and this Subcommittee are listening. Our need at the local level for Federal targeted financial assistance has never been greater.

We in Los Angeles County do share in the prosperity you referred to in your opening remarks when you spoke of Rodeo Drive, but we also share the problems, some of which Senator Mathias mentioned. We believe at this point in time that we are the recipients of a shared problem and sometimes a targeted problem sharing program and we believe we must have a targeted financial assistance program to help us.

Los Angeles County, which is one of 58 counties in California, is responsible for the so-called "safety net." When the Federal Government restricts eligibility for its Medicaid or other health programs, when the Federal Government restricts eligibility for its categorical aid programs, the safety net is the county government in California. Those poor, sick and needy, the social service needy persons, who do not meet qualifications for Federal or State categorical programs are a charge upon the county government.

Los Angeles County meets this need. We are running 50 some welfare offices, staffed by over 10,000 workers. We run over a $1 billion a year public health and indigent health care program, including 7 hospitals and 42 health centers.

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[1] See p. 196 for Mr. Dixon's prepared statement.

[2] See p. 207 for Mr. Lardis' prepared statement.

A disproportionate share of the people that we treat in those facilities are people that come to us because they no longer qualify for Federal or State categorical assistance, who come to us because they are in our community, although illegally, because our Federal Government has been unable to control its borders.

Los Angeles County, with 8.5 million residents, represents 31 percent of the population of the State of California. As Senator Mathias said, if we were an independent nation, the gross national product of our county would make us the 19th richest nation in the world. But, with 31 percent of the State's population, we have 38 percent of the AFDC caseload, 52 percent of the general relief caseload, 45 percent of the violent crime, 46 percent of the drug arrests, 40 percent of all felony arrests, we are the site of the largest homeless population in the country and, as the Senator mentioned, 32 percent of all of illegal aliens in the United States, not in the State of California but in the United States, reside in Los Angeles County.

We are in serious chronic fiscal trouble in Los Angeles County. As you have properly pointed out, with the termination of general revenue sharing, local government is faced with one of three choices, raise taxes, cut services or some combination thereof. California counties do not have the option of raising taxes. For the last decade, our ability to raise revenue at the county level has been constitutionally forbidden by action of our voters in 1978.

Our only option has been to cut services. You have mentioned that States may step forward and assist local government. In California, our State has assisted local government. In the last ten years, a proportion of our budget represented by Federal funds has shrunk from what it was in 1977-78 some 28 percent, to the current year's 20 percent, and at the same time the State support of our budget has grown from 24 percent to 36 percent.

Unfortunately, in that same period of time our total budget, with the shrinking Federal dollars we have received, the increasing State dollars we have received and the maximum revenue effort we can legally make at the local level has not permitted us to quite keep pace with inflation. In the last decade, my total county budget has fallen 1 percent behind inflation. In that same 10-year period, my jail population has tripled, my general relief recipient workload has doubled, and other workloads have increased by a similar amount. In my written testimony in regards to the specific programs that we at the county level have seen greater shares of thrust upon us by adjustments in Federal and State programs.

You have specifically asked us to comment on the specific impact in our current budget situation of the secession of general revenue sharing.

As we approach the 1987-88 fiscal year, the difference between our projected revenues and our necessary funding to maintain our current level of program and to meet increasing workload in mandatory areas, such as our jail population, such as our public health responsibilities, the AIDS problem, such as our safety net program, social and health services, showed a deficit in our budget of $192 million.

I am happy to say to you that in the final provisions of our proposed budget, we were able to close that deficit by approximately

$118 million through a series of management initiatives that did not translate through to program cuts. But I am sad to say to you that in our proposed budget there are $74 million worth of critical program cuts we have had to recommend. Those cuts are particularly in areas of considerable concern to us and I believe to members of this Subcommittee.

We are deleting approximately 2,400 positions from our next year's budget concentrated in the following areas: indigent health care services, where we are having to close seven public health centers, eliminate ambulatory care clinics in eight of our health centers, and delete a number of specialty programs in our seven acute hospitals.

We are deleting 1,000 workers from our welfare system, and a direct result of that will be that our fraud and error rates will rise, which will cost not only my county, and my State, but the Federal Government needless money.

We have an elimination of between 200 and 300 probation workers who, I might say, are members of Mr. McEntee's group. Critical programs within our probation department will be eliminated, including, for example, an intensive probation surveillance of narcotics offenders who are required now to undergo periodic narcotic testing. This is a very effective program in the opinion of our judges, which we can no longer afford.

Last but not least, we are closing 14 fire stations and eliminating over 150 fire-fighter positions. Our total proposed budget, include $74 million worth of critical program cuts I have had to recommend to my board.

Ironically, our annual receipt of general revenue sharing in past years was $80 million. Question: Have we had to cut programs. Is there a direct relationship between the necessity of our program cuts and the cessation of general revenue sharing? I submit to you that there is a direct relationship between actions of the Federal Government and our budget cuts.

Considerable additional program responsibilities have been placed upon local government by the Federal Government in those areas that California counties are uniquely responsible for, of social services and health services, on the one hand, and the cessation of general revenue sharing on the other.

We do support this Subcommittees' consideration of targeted financial assistance. I join the comment of an earlier witness, Mr. McEntee, in supporting your consideration of the tax effort provisions that were recognized in general revenue sharing. We do believe it is important that that be part of the targeting program.

Los Angeles County's per capita income is approximately at the national average and it does include the famous Rodeo Drive of Beverly Hills, but it also includes the famous Charcoal Alley of Watts. We at the county level are specifically responsible for providing the services and areas like that are heavy demanders of service. We at the county level are responsible for providing the basic services that represent the safety net that you hear a lot about in this city.

Senator, we particularly thank you and the ranking minority member for listening to our plea. It is a delight and a refreshing experience to be listened to.

Thank you.

Senator **Sasser**. Thank you very much, Mr. Dixon, for a very eloquent presentation indeed.

We have been joined by the ranking member, Senator Heinz, and I will defer now to Senator Heinz for any statement that he might wish to make.

OPENING STATEMENT OF SENATOR HEINZ

Senator **Heinz**. Mr. Chairman, I was over in the Banking Committee explaining why you could not be there, and I want to thank you for explaining to Gerry McEntee, whom I was sorry to miss, and to my constituent, Dan Britza, the Mayor of Aliquippa, why I was delayed. I might add that we also have the trade bill on the floor and that I must go over there very shortly and make a statement on it. It is one of the more important things that we will handle this year.

I appreciate your yielding to me. I will not take the time of the Subcommittee to make an opening statement. I do have a prepared statement and I would appreciate if it could be included in the record.

Senator **Sasser**. It will be so included.

[Senator Heinz' prepared statement follows:]

Prepared Statement of Senator Heinz

Mr. Chairman, I am very pleased that the Subcommittee is holding a second day of hearings on the fiscal condition of local government. Yesterday we learned that, in hard pressed communities, local government is in a box—a box which may be 6 feet deep.

What would the Federal Government do if one morning, 10 percent or 20 percent of its revenue disappeared? Well, that is what happened last year in Aliquippa, in Homestead, in Swissvale, and hundreds of other communities across America when general revenue sharing expired. At the Federal level, we might raise taxes, we might cut spending, or we might run an even larger deficit. Communities in Pennsylvania don't have these options. They are at the limit of their ability to raise revenue. They have cut services to the bone—laying off firefighters and reducing police forces. If they run a deficit, payrolls won't be met and pensions will not be honored.

I want to welcome Dan Britza of Aliquippa this morning. Mayor Britza comes from Beaver County, Pennsylvania, where the unemployment rate is above 14 percent. Aliquippa's prime riverside land is home to miles of closed mills and shuttered plants. General revenue sharing helped Aliquippa and thousands of other towns to maintain basic services for her citizens. Aliquippa's situation is an appeal for us to go forward with targeted revenue sharing. These are the towns and boroughs which require our help, and I hope my colleagues will pay close attention to Mayor Britza's testimony.

I also want to recognize Gerald McEntee's hard work on behalf of local government, and I look forward to review his testimony.

Mr. Chairman, I commend you for a fine set of witnesses, and I particularly want to thank you for your help in getting Mayor Britza before us this morning.

Senator **Heinz**. If I might say so, I regret that I was not here at the outset to welcome Dan Britza, the Mayor of Aliquippa, here to the Subcommittee. The unemployment rate in Aliquippa is very high, approximately 14 percent. In fact, it is probably vastly more than that, and there are many communities like Aliquippa—Youngstown is such a community—very similar problems.

I know that there are similar problems in your home State, Mr. Chairman, of Tennessee. We have in Aliquippa a steel mill, one of the great steel mills ever built, with four blast furnaces, and even during the Depression it never occurred that all of those blast furnaces would shut down. This is before Dan Britza's and my time, but nonetheless it is still a fact in history.

If I might, Mr. Chairman, take a moment to ask Mayor Britza one or two questions, I would appreciate it, if that would be all right.

Senator SASSER. Please proceed.

Senator HEINZ. Aliquippa has a municipal budget that is financed by a number of sources, property taxes, revenue sharing, probably some others. How important has revenue sharing been to your municipal budget? How much of that budget has it amounted to?

Mayor BRITZA. Senator Heinz, our revenue sharing amount that we received for 1986 was pretty close to 10 percent of our entire budget. As you mentioned, we receive revenues from many areas.

One point I would like to make first before we go into facts and figures, the loss of revenue sharing was not the cause of our present financial condition, we all realize that. We have got to realize, too, that revenue sharing is a great, tremendous aid to our community in dealing with the financial condition that we are under because of the decline of the steel industry. That is the point we have been trying to make and I hope we are making it now. The $218,000 that we received in 1986 was about $100,000 less than we had originally received under revenue sharing. As you know, it has been reduced over the years since its inception. $218,000 is what we are losing for 1987, is going to be specifically especially felt in the budget for 1988. There is a possibility that it is going to reduce our 17-man police force down to 10. That figure represents the employment of seven police officers. Basically, we have been using the money for police services and fire services. The biggest chunk of it has gone to the police department. We have about a $600,000 a year budget for our police department. We have been declining in numbers in our public safety officers over the past 10 years, but specifically in the last three or four when we have lost great revenues from our LTV plant.

Senator HEINZ. Now, there are some people who would say—and I would not be one of them—that in addition to all of the other hardships you have endured, such as the loss of employment, the dwindling of the tax base, and now the loss of revenue sharing, that what you ought to do is do what the President says he will never do down here in Washington, and that is raise taxes.

Mayor BRITZA. That is probably an easy way out in a lot of areas, but in Aliquippa, as you mentioned, the established unemployment is somewhere around 14 percent. Unfortunately, in Pennsylvania, communities under 25,000 of population do not have a regular evaluation of the unemployment rate. We estimate our unemployment rate in Aliquippa closer to 40 percent. If you add on the people who have lost jobs in the plant and have gone on retirement, which is a very small portion of what they have been making while they were working, we are talking of closer to 60 or 65 percent of the folks who live in our community are unable to withstand an increase in their property taxes.

We are now the highest tax community in our county. We are probably among the top in the entire Commonwealth of Pennsylvania. Folks in our community are losing homes left and right. If you ride down any street in Aliquippa, you see "for sale" signs, two, three, four, five in a block. That is the fact that has to be presented.

Senator HEINZ. If you could or would raise taxes any further, it would just make a bad situation worse?

Mayor BRITZA. It surely would. It would not do any good to improve our financial position. There are other areas we have to go into, that we have to use other monies to try to improve our financial condition. The revenue sharing money has to maintain the services at the present level, the safety of our community and our residents.

Senator HEINZ. Chairman Sasser and I are trying to develop legislation out of these hearings that will target revenue-sharing monies to the hardest pressed communities. We will need to develop certain indices of need, and at least three come to mind and I would like you to think about which of the three or which two or whether all three make sense to you.

One would be tax capacity. Another would be related to the level of unemployment. A third would be the proportion of individuals below the poverty line. All of those have been used in Federal programs at one time or another as part of or sometimes wholly as an index to need. How do you feel about those factors?

Mayor BRITZA. Well, sir, I would hope that you would use all three of those, definitely all three of them in determining our situation, our eligibility. In fact, I just returned last night from the Pennsylvania State Mayors Association Convention in Wilkes-Barre, and at that convention a resolution was passed supporting the reenactment of revenue sharing.

In our discussions before the vote came up on the resolution, there were mayors from communities who felt that their specific communities were not in dire need of revenue sharing, but they realize that there are communities throughout Pennsylvania such as Aliquippa and Homestead, Clairton and others, that are in need of it, and these three criteria that you mentioned would certainly go a long way in helping our communities become eligible for funding.

Senator HEINZ. Mr. Lardis and then Mr. Dixon, how do you feel about those factors?

Mr. LARDIS. Senator, I think you are right on target with respect to those indices. My county is right up against the Pennsylvania line, and we share I think a common interest. Having looked at our county budget here recently, we are a county in crisis and we do have a great need at this time.

The loss of the steel industry in our area, and of course in other areas of Pennsylvania, has been critical to Trumbull County and we feel that it is time to begin to look at the problem. The Constitution indicates that the government must step in to look out for the public welfare. Now is the time to help the private sector to begin to do something about this, or we are all going to suffer. Many of our children are going to be stuck with the minimum wage in our area, it is going to be a service oriented area, and I think that is quite sad because America has long permitted a vibrant economy and I do not see where our young people are going to have the same good things that you and I have had over the last few years, a decent home, adequate transportation, good medical care, and so forth, unless they are intelligent enough to go to med school or law school or dental school and so forth, they are going to be stuck at minimum wage and I do not think that is appropriate.

We do need the help of the Federal Government and I believe your three indices are appropriate and certainly on target.

Senator HEINZ. Thank you very much, Mr. Lardis.

Mr. Dixon.

Mr. DIXON. Senator Heinz, we too would support your three indices and comment—Chairman Sasser a moment ago commented that the representative from OMB yesterday indicated "the Federal Government could not afford targeted financial assistance." My answer to that would be we in local government wish we could say we cannot afford the mandates and responsibilities that the Federal Government has thrust upon us, we have no choice. We greatly support the efforts of you and your colleagues.

Senator HEINZ. That is a point well taken. Thank you, Mr. Dixon.

Mr. Chairman, thank you very much for your courtesy.

Senator SASSER. Thank you, Senator Heinz.

Let us turn now to Mr. Christopher Lardis, who has answered some questions. Mr. Lardis is the President of Trumbull County, Ohio, Board of Commissioners. Do you have a statement that you wish to make this morning, Mr. Lardis?

Mr. LARDIS. Yes, sir, if I may. I have submitted for the record a statement and a summary. Rather than read it, Mr. Chairman, I would like to just discuss it, if I may.

Senator SASSER. Please do.

Mr. LARDIS. We in the provinces really appreciate the opportunity to participate in this democratic process. It is very refreshing to be invited here to Washington.

On behalf of the citizens of Trumbull County, and on behalf of the National Association of Counties, thank you for the invitation.

We are a county in crisis and I believe it is time that we look to the Federal Government for some assistance. You know, as a previous congressional liaison officer for the Navy Department, I was here for 12 years, and I always pursued the requirements of the military and now I see the other side of the coin. And where we rounded off a few figures in the military, those few dollars in the rounding process actually mean the difference between survival and non-survival out here in the counties.

In our budget in Trumbull County, we really need about $16 million to operate, assuming all service needs are met. However, the certified budget, that is the money we actually have to work with, Mr. Chairman, is only $13.1 million. That difference of $3 million is making all the difference in the world, and just let me address that $3 million as a real life situation.

You know, in a civilized society we have come to expect one of the very basic services of police protection. But because of this $3 million shortfall—and, by the way, $890,000 of that was our revenue sharing which we lost—there are 39,000 citizens right now in my county who do not have police protection. It is very disenchanting to receive a call at midnight from a citizen who says to me, "Commissioner, there is someone in my backyard attempting to break into the house. I've called the sheriff and the dispatcher said

I have no car, I have no police cruiser to send out there, I have no deputy."

It is also very frustrating to receive a call from a 92-year-old person who says, "Why are you closing the elderly affairs program? What am I to do for that one meal that I receive that really permits me to sustain life?"

You know, when you are on the other side of the telephone as the elected official in that particular county, these are very difficult questions. It is very disheartening when one reads about billions of dollars of foreign aid. Yet we cannot afford, in Trumbull County, to help an elderly person who has no relatives, who has no children or grandchildren because they have all left. The steel mills have closed, there is nothing there. There are no jobs. She is there alone.

Without police protection, our townships are now forced to pass the hat in order to create some kind of protection. This is going to be very expensive on a township level. It is not going to be a very good police force, either. It will be probably a part-time police force.

We have had to lay off over 100 employees in our county in the last few months. We depended to a great deal on general revenue sharing. Our tax base decreased, and we have lost over 100 employees, and many of those were deputies. We have 340 outstanding warrants to serve. We have been unable to do that in a timely manner. We have six judges in the county and we have one security guard for all six judges who are in separate buildings.

We are closing the child assault protection unit. The pornographers and others are going to go unchallenged. In the prosecutors office, we have no juvenile prosecutor. We do not have a full-time criminal division head, as we did before, nor do we have a court of appeals prosecutor.

Our county highways are suffering to a great extent. Many of our bridges are unsafe, and we have closed some of the county bridges.

The health authorities from our State Capital in Columbus were up the other day and they pinpointed certain mosquitos that carry some very serious diseases. One in particular is the human heart worm, for which there is no inoculation. Although we have a vaccine for the canine heart worm, we do not have one for human heart worm. If you have seen what that heart worm does to the canine heart, it is very disconcerting. We had to disband our mosquito control program about two years ago because of the lack of money, and that concerns me.

We had to disband the weights and measures team, so when we go to a gasoline pump today we do not know whether we are getting a full gallon of gasoline, nor do we know whether we are getting a full pound of hamburger in the grocery store, because no one is checking the scales or the gasoline pumps.

Senator SASSER. Well, I can bet that you are not getting a full gallon or a full pound.

Mr. LARDIS. Yes, sir. We have reduced the staff in the treasurer's office. It is taking a longer period to collect taxes. Tax delinquencies are increasing. When we had adequate staff, tax delinquencies were about 11 percent, but we see that going up right now.

Mr. Chairman, if you would believe it, we have a backlog of 10,000 documents in the recorder's office, we just do not have the staff to handle these. Mortgage companies are not anxious to do any business in our county. This is affecting the business of our community. We are really going to suffer when the profit-making institutions feel this impact.

Our juvenile children in the old court are being housed in the basement of this very old building. It floods out every time it rains, yet we do not have the money to correct this. We have seven county buildings and we have only six maintenance people to handle these buildings, and the infrastructure is literally falling apart. Just about every building has leaky roofs. The electrical systems are outdated and are very dangerous because we have a lot of short-circuits and we have had some fires because of these problems.

Three million dollars is a large amount in our perspective and it concerns me that even the State of Ohio is not in a position to help us. There was a bill for local government funds, but it has failed up to this time. They do not seem to have enough money to help us.

In fact, there is a bill in the State Capital right now, the mental health bill, which will in the long term, place an additional charge on counties, amounting to about $3 million on Trumbull County. If that bill passes, we are going to have a very severe problem.

What concerns me, Mr. Chairman, is that the Federal Government since 1978 has increasingly withdrawn from domestic policy and has now virtually turned its back on communities like mine, slashing its fiscal support to State and local governments by 66 percent since 1978.

Federal spending, on the other hand—and this is where I challenge the statement that the Federal Government cannot afford to help us—Federal spending since 1978 has increased 102 percent, and the interest on the national debt has increased 199 percent. Yet, the foreign aid programs continue.

Mr. Chairman, I think it is time that some charity begin here at home with respect to the local communities. Thank you for this opportunity.

Senator **Sasser**. Thank you very much, Mr. Lardis. We may arrange for you to be a witness before the Foreign Operations Appropriations Subcommittee and let you debate with them the question of foreign aid.

Mayor Britza, do you have something else to say?

Mayor **Britza**. Yes, Mr. Chairman. First of all, let me thank you and Senator Heinz, for inviting me here today. For your information, Aliquippa is a community that is located 20 miles northwest of Pittsburgh, situated on the Ohio River. We have less than 17,000 population. We once had a thriving steel industry there and employed 15,000, and it is down to an employment rate of 600 at the present time.

I do have a written response to questions that were posed to me in your letter. I would like to go through them, if I may, in regards to the impact on Aliquippa Borough due to loss of revenue sharing funds.

The first question response is the 1987 loss of revenue sharing in the approximate amount of $217,078, which is the amount we received in 1986, has created a severe fiscal impact on the Borough of Aliquippa. This loss of $217,000-plus, in addition to a real estate revenue loss of $288,000, due to an LTV litigation and bankruptcy, will have a drastic fiscal impact that will result in a fiscal deficit ending December 31, 1987, of approximately $250,000 to $350,000.

The entire amount of revenue sharing funds was directed toward protection of persons or property, the police and the fire departments. Services in these and all other departments were scaled down and are being operated on a strict austere basis.

As an aside, we once employed 34 full-time police officers in Aliquippa and a force of 20 part-time officers. We are down to an amount now of 17 full-timers and 4 or 5 part-time officers, used only in times of dire emergency.

Effective in 1988, the Borough of Aliquippa must consider increases in local property taxes in order to recover not only the revenue sharing loss but also the losses in LTV real estate taxes. The Borough of Aliquippa used the revenue sharing funds to continue police and fire protection services which were reduced to bare essentials and/or emergency protection. As of this date, the Pennsylvania State Government has not officially taken any positive action to alleviate the fiscal loss created by loss of Federal revenue sharing.

In a depressed community, one which was declared an enterprise zone due to the bankruptcy of its major industrial plant, which employed approximately 15,000 employees eight years ago, and now has an employee staff of only 600 to 800, these funds were very critical and wisely used to prevent an impact of increased taxation on a distressed community.

Restoration of revenue sharing would restore essential police and fire protection services, much needed equipment, and prevent a tax increase burden to a community consisting of 75 percent retirees living on fixed income. Without reservation, revenue sharing funds should be restored to alleviate the fiscal problems of local government, with high unemployment rates, and near maximum tax levies, considered financially critical to the distressed community taxpayers.

I mentioned earlier that our community has the highest tax rate upon its residents of any community in Beaver County, and I believe of any community in the Commonwealth of Pennsylvania. And as I mentioned before and would like to reiterate, the loss of revenue sharing was not the cause of our present financial condition, but we look upon it as an aid in recovering from the decline of the steel industry.

Thank you, Mr. Chairman.

Senator **Sasser**. Thank you very much, Mayor.

There is one question, one overriding question. I hear these tales of woe and horror stories, and I do not mean to demean the statements. They are true and they are accurate, and local government is suffering and many citizens who are dependent on local government services are suffering. But the question arises in my mind, why is there not a grass roots effort to do something about the problem in the sense that you find at the local level still an extraordinary, what I would perceive as an extraordinary attitude that you can continue to move along and not pay for services, that nobody wants any revenue increases, nobody wants any tax increases, and we are just going to continue to move along the way we are now, and woe be unto any elected official that has the audacity to indicate to the electorate that we are going to have to pay for services.

What is happening out there in your counties or in your cities with regard to this situation? The Mayor has a special case. He has a populace that is extraordinarily depressed, a 40 percent unemployment rate, many of those who are not classified as unemployed are retired and, of course, you cannot increase taxes on them. What do you say to that, Mr. Dixon? You do have a county that is relatively speaking very prosperous and yet there you are hampered with what I would call a constitutional amendment that you cannot increase taxes at the local level.

Why are citizens taking this attitude and when will they come around to the view, or will they ever come around to the view, that government has to pay for its operations? Or are we simply fooling ourselves, that they simply do not think the government services that we think are so necessary and essential, they do not believe them to be necessary and essential? What is the answer to all of this?

Some of us looking at it here in Washington have a tough time discerning what is going on, but maybe you at the local level can shed some light on it.

Mr. Dixon. Senator, it is an issue that has particularly troubled us in California when 10 years ago, by an initiative proposition, our voters voted overwhelmingly to reduce and to freeze our ability to raise ad valorem property taxes in the infamous Proposition 13 constitutional provision. California, if you will, led the way in the tax revolt.

It troubles those of us at the county level in particular, because the role that we hold in the California scheme of government, at least, is to take care of the poor, the sick, and the unfortunate, people for whom unfortunately in our busy world of nearly the 21st Century, there may not always be at the polls the charity our Nation has prided itself on.

We believe, however, that while California was the first to start the tax revolt, we have seen significant turnaround. Subsequent to Prop 13 passing by an overwhelming majority, there were subsequent constitutional amendments to decrease our State income tax, and to essentially repeal our State estate tax. Subsequent to that, there was another spate of initiatives to further reduce taxes, each of which has failed, and indeed a year ago my State amended its Constitution to once again permit us to go to the voters for a general obligation bond issue. Last November my county went to its voters with a general obligation bond issue of $96 million for jail construction. In our State, that requires a two-thirds majority. We succeeded in raising that two-thirds majority in that election. We believe there is some sense that our voters do believe that enough is enough, and at least for selected issues we have seen local governments in California get substantial voter support for some additional revenues.

While we are constitutionally prohibited from raising property taxes, in the last 10 years the share of my budget raised by other locally raised revenues other than property taxes, has risen from the 10 percent figure that it was 10 years ago to the 21 percent figure that it is today. These are essentially user fees, fees for services.

I must report to you, though, that we believe we have gone about as far as we can in those, because we are on the ragged edge of depriving the needy of government services through our rather substantial user fees in some areas. We share your concern, Senator, but if you will, people decided that there was such a thing as a free lunch in government services. We believe we see it turning around, we hope we see it turning around, but again I must say that the Federal Government has been generous in sharing its problems with us, and we do need some targeted assistance from you while this is turning around.

Senator SASSER. Do you have anything to add to that, Mr. Lardis?

Mr. LARDIS. Mr. Chairman, we have tried on two occasions to pass a half percent sales tax and we failed. It is up again in November and the experts are telling us that it is in for some rough sledding. I do not know why the American public does not want to pay for these services. The services are certainly important and they more or less expect these services. In a representative democracy, as at the Federal level, where representatives can raise taxes without a referendum, this works. But, in our State the law says that the people will have a voice by referendum and therefore it is much more difficult to raise revenues. We just cannot place it on the docket without a voice from the people, and I must say that they have been objecting to an increase in taxes, for quite some time many of our levies for the schools have failed also.

Senator SASSER. Well, if I might offer my own view, I think one of the problems is that the American people never get any good information or any cheerful information about what government is doing for them in a positive way. Government's operations are always portrayed to them in a negative fashion, and I have thought that particularly at the local level, at some juncture it might be a wise expenditure of taxpayers' money to embark on a public education campaign to let the taxpayers know how their money is being spent and let them see what their money is producing and let them see also the problems that it may prevent from developing if it is spent wisely, and also indicate to them that maybe down the road by way of problems, if we do not have access to adequate revenues to deal with the future.

That is just a thought, but at least they would be getting some positive input. Nobody likes to pay taxes, but at least they would realize, hopefully they would realize, if it is the case—and I think it is—that they are getting their money's worth and it is part of just being a good citizen to want to see your community prosper and be fiscally sound and solid in those communities where there is the affluence to do so. In some there is not.

Yesterday, the Deputy Director of the Office of Management and Budget, Mr. Joseph Wright, indicated that over the past six years aid to States and local governments have actually been increasing. Now, I frankly thought that we ought to forward that statement on to Ripley's Believe It Or Not, but Mr. Wright was convinced of it, but my research indicates that, and according to the Congressional Research Service, the indications are that since 1980, while actual budget outlays have increased in real terms, adjusted for inflation, by more than 25 percent, aid to State and local governments has actually decreased in real terms by 25 percent.

Based on your experiences, what would you gentlemen say about Mr. Wright's statements about Federal aid to State and local governments actually increasing as opposed to the Congressional Research Service's indication that it has decreased in real terms by one-quarter?

Mr. DIXON. Mr. Chairman, if I might, our experience would validate your statement from the Congressional Research Service. You cited a 1980 comparison. I may cite a 10-year comparison. In inflation-adjusted dollars, my total budget today is approximately 99 percent what it was 10 years ago. Ten years ago, I received 28 percent of my local budget in Federal dollars. Today, 10 years later, in a slightly equal dollars constrained budget, I only receive 20 cents on the dollar, instead of 28 cents.

In our experience, I cannot agree with the OMB testimony that your assistance to at least my level of government has increased. It has factually diminished, at the same time in which my problems have increased.

Senator SASSER. Mr. Lardis, do you and Mayor Britza agree with that assessment?

Mr. LARDIS. Yes, sir. We have had a decrease and all along our service requirements have been increasing. I would take issue with the OMB statement.

Mayor BRITZA. Mr. Chairman, basically our only realization of Federal funds comes through our county in the form of community development block grants and they are doled out by our county. We have been receiving less in the past five years than we had over the previous seven years of the program, so I would have to disagree with the OMB analysis of the problem, too.

If I may go back to the last question that you posed to us, what are we doing at the grass roots level, and you mentioned our tale of woe. Well, I am tired of hearing our tale of woe, too, but unfortunately it keeps coming out of my mouth.

What we have done on the local level in Alliquippa, we are a borough form of government at the present time, and in January 1988 we are going to go become a third class city. Under the Codes of the Commonwealth of Pennsylvania, it is going to allow us to change our rate of real estate taxation. We will be able to tax unimproved vacant property at a higher rate than the homeowners' property. That is basically the reason why we did it. It is going to help alleviate some of the problems for our homeowners who are retired, unemployed and underemployed, but there are other areas where it is going to cost us less to run our local government because of less officials in a third class city than there are in a borough.

So we have done something on the grass roots level as far as cutting our costs of operation and helping our homeowners in that regard.

Senator SASSER. Gentlemen, thank you very much for appearing here this morning. Your testimony has been very helpful and I think adds substance to this record that we are building today and will be building in future days.

Thank you very much.

Mr. DIXON. Thank you, Mr. Chairman.

Senator SASSER. Our final witness today will be Dr. Richard Nathan. Dr. Nathan is a distinguished scholar from the Woodrow Wilson School, at Princeton University. He has done extensive research on general revenue sharing. He will also be accompanied by Dr. Paul Dommel, from Cleveland State University.

Gentlemen, I welcome you here today and we look forward to hearing your observations and testimony and, Dr. Nathan, we will begin with you.

TESTIMONY OF RICHARD P. NATHAN, PH.D., PRINCETON UNIVERSITY, AND PAUL R. DOMMEL, PH.D., CLEVELAND STATE UNIVERSITY [1]

Mr. NATHAN. Thank you very much, Senator. It is a pleasure to be here. As you said in introducing us, I am accompanied by my associate, Professor Paul Dommel, from Cleveland State University, and by a student intern, Jonathan Jacobson, Princeton, 1929, who is credited at the end of our testimony for having helped us prepare this statement.

Mr. Chairman, we received a phone call a week ago asking us to prepare for this hearing today, and in such a short period of time we did not have an opportunity to prepare a short statement, so we apologize for bringing to you a statement that is 20 pages of text and 21 pages of supplementary material.

I want to start right out by saying that you should not worry about that because I am going to summarize some of the material in the first three pages and then highlight some of the points that we hope will be helpful to you and your colleagues in trying to draft legislation to set up a new targeted fiscal assistance program.

I will begin by reading from the first three pages of my testimony and then I will make some comments about our proposals. We do, Mr. Chairman, come to you at what I think is an appropriate time in this hearing, because many of the prior witnesses have talked about the need for the kind of legislation you are working on, and we are here today to testify on how you might do it. We have specific proposals, and I have told members of your staff that if you would like, we would be happy to provide additional material.

So we have a how-to-do-it focus. Let me now give you an outline of our testimony and then discuss what is not in the testimony, namely, a way in which we think you might consider a targeting scheme that would tie into your other Committee assignments and Senator Heinz's as well.

For a long time, Mr. Chairman, the subject of the distribution of Federal aid has been of interest to us in our research at Princeton, at Brookings, at Cleveland State, and in other places where our associates in this network are members of faculties at universities.

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[1] See p. 221 for the prepared statement of Drs. Nathan and Dommel.

Six years ago, I testified before you. I went back and looked at that testimony. I actually took some paragraphs, but you will never remember them, from that testimony six years ago on this same subject.

I regret to tell you that today in this update all that I have is bad news. The problems of community distress, as our data show, are getting worse, the Federal Government is doing less about them, and to top it all off, the programs that we do have among Federal grants that are targeted on the most needy communities, according to new data we are going to present today, are deteriorating in terms of their targeting properties, CDGB in particular.

With a diminished Federal role in the eighties in domestic affairs, perhaps we should think about a different role for Federal grant-in-aid programs. It is arguable that if the Federal grant system is to have a smaller role, then it is all the more critical that we emphasize the equalization role of grants. The basic idea is that we should concentrate our resources on those conditions and communities that are most in need.

In the Carter period, we called this "targeting," and I still think that is a good word. But under the present regime, it is probably also a good idea to refer to a "safety net" approach to Federal grants. This issue is easy to talk about, but it is very complicated when you get into formula, layering, and data questions, which is our business—it is a living, Senator, which has supported us rather well over the years.

In the age of computers, we now have what a lot of people call "printout politics." Whenever a vote is taken in the Congress or in a State legislature, every member wants to have a printout showing how much each town or county or State receives in relation to other eligible jurisdictions.

One result which we found over the last 15 years in our research is that there has been—and this is attributable to other causes as well—a spreading, rather than a targeting effect in the distribution of Federal grants in aid. The real story of Federal aid in the United States in the last 20 years is spreading, not targeting.

The first issue in allocating funds on a safety net or targeting basis is how do you define need. In the MaGill Commission report, "Urban America in the Eighties," in 1980, the argument was made that we should aid people rather than places. My very strong view—and I stressed this in my testimony six years ago—is that both are important in thinking about the role of the national government as well as thinking about the role of State governments.

During the past decade, urban analysts have developed a lot of different indices to measure urban hardship. Now, you could listen to them tell you a lot about these indices, but we are not going to do that today.

Senator **Sasser**. It is not the misery index that you are talking about, is it?

Mr. **Nathan**. Not really. These are urban hardship indices. There are a lot of different index measures that have been developed. One thing we state in our testimony that I think might be helpful in this connection is that there has been a convergence in these index studies. The places that rank at the top of the list as needing assistance and targeting recognition are the same places in many of these studies.

In this testimony, which we will submit for the record—we would also would like to submit the study I mentioned that updates the work that Professors Dommel and Michael Rich have done on the CDBG formula [1] and what I want to do is highlight five points that are on page two.

Number one, urban problems are getting worse in the most distressed communities.

Number two, increasingly, these problems involve minority poverty impaction, particularly in urban areas, which many of us are now talking about in terms of "underclass" issues. These conditions are worsening; our statement shows what we have learned about that from recently released 1980 Census reports.

Number three, Federal grant programs tend to spread out funds more than target them and, as I indicated, some of the targeting features of existing programs have eroded in recent years.

Number four—and we commend you for this—we believe your Subcommittee should start now to look at new concepts for the next generation of Federal aid reforms, and in doing so we would urge that you particularly look at existing and previous grant allocation systems.

A famous French economist, Pigou, once said an old tax is a good tax because people are used to it. An old formula is a good formula because we have ironed out lots of the wrinkles and people are used to these formulas. We would urge you to start your search for an approach to targeted fiscal assistance by looking at existing and previous grant in aid systems.

Specifically, we present the results of a new study that suggests how the CDBG formula program and the UDAG program could be used as the base for what we call "the next generation of Federal grant in aid reforms." In my testimony I refer to this as brand new Federalism, because we have had too many, new and new-new Federalisms.

Let me now make, Senator, several points that are not in my prepared testimony. One approach we think that your staff might consider in working with Senator Heinz and others in developing a targeted fiscal assistance program to deal with the kind of problems that have been described by the previous witnesses is to start with the CDBG system, and propose that there should be an add-on to CDBG.

We use the figure $1,250,000,000, and I will explain how that works. What we suggest is that as an add-on to CDBG, what you should do is adopt a threshold that says only places that are distressed get this extra aid.

If you add a billion dollars and if you had a threshold of that kind, then what would happen is that the allocations to distressed places would go up by 40 percent on average, although we would vary the actual payments as our testimony indicates, between 25 percent and 50 percent. The important point that we suggest is that you consider using the UDAG formula—an old formula is a good formula—for the threshold. This would qualify 411 out of 814 entitlement cities in CDBG.

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[1] See p. 416.

Then what you could do is say those places receive aid according to some formula, maybe part B of the CDBG formula in a way that varies the aid for the eligible distressed places between a 25 percent and a 50 percent add-on. So you constrain it somewhat. Anyway, one would have to test this. You can never know how a formula is going to work until you run it through the computer and look at the distribution in different parts of the country and for different places according to different indices.

Finally, Mr. Chairman, we are aware of the hearings you have held in Tennessee and we know about your special concern for distressed smaller places and rural areas like particularly in east Tennessee, which has long been an area of serious problems in small cities and non-urban areas.

What we would suggest is that some amount of this add-on be put into the CDBG small cities block grant. If you did that, we would also suggest changes in this program. The CDBG small cities block grant is has not done well; the funds under this program according to our research are much too spread out.

We propose an approach that I would be glad to go into that would say to the States you have to target this money on places that account for 30 percent of the people in the small places that could be aided, or otherwise get a waiver from the Secretary of HUD.

Such changes in the small cities block grant would deal with what our research has showed are genuine problems with that program. If you are going to do this, you could come up with one piece of legislation that would also include a triggered anti-recession add-on, because what always happens under anti-recession or countercyclical fiscal aid is we miss the recession. The money does not get out there until well into the recovery.

I hope these points, many of which are discussed which are discussed in our testimony, give you some grist for your mill in terms of different ways to look at the Federal aid system that may be helpful to you and Senator Heinz and others in the efforts which you are making and for which we commend you.

Professor Dommel was going to add some comments and then we would be happy to answer questions.

Senator SASSER. Thank you very much.

Professor Dommel.

Mr. DOMMEL. Yes, Senator, I would like to emphasize just a couple of points. One, we propose using a CDBG system and a UDAG threshold in these formulas, but the use of this additional money would be a general purpose use; it would not be assigned to the same functional areas of CDBG. It would act as a general purpose grant.

Second, in terms of this billion dollars, the figure you used, and coincidentally we ended up using the same figure, will give some sense of the crucial importance of targeting. If this just became a resurrection of the current general revenue sharing system it would have virtually no impact. The billion dollars represents about 18 or 19 percent of the current, or what was the current, funding for local governments of GRS and would come to approximately 1 to 2 percent at most of the local general funds.

So if you went through the same system of allocation to 39,000 units of government with this new system as just a resurrection of general revenue sharing, you would have minimal impact. Now, 1 or 2 percent in many places is not to be sneered at, but in the truly distressed places it does not have the kind of impact I think you and Senator Heinz have been contemplating in dealing with needy places. So for any add-on, the crucial element is cutting that eligibility list and structuring the formula in such a way that it gets distributed even among those eligible, with some gradations of the per capita grant between the highs and the lows.

A final thing I would like to say, to go back to a point that Professor Nathan made at the very beginning, is that the current programs are a big part of the targeting problem. The CDBG system has experienced very serious erosion of the targeting effects of the dual formula over the past 5 or 6 years, as shown in the article were are submitting for the hearing record. For the UDAG program, which, I understand, is currently going through with an omnibus housing bill, there is consideration of earmarking 35 percent of that program to distribute on a basis other than need. In 1982 the Joint Economic Committee, on which I think you were sitting at the time, held hearings on the State block grant system that had just been created, and there were and are serious targeting problems with the State block grants.

While the focus of today's interest is on a new targeted fiscal assistance program, the existing programs bear very considerable scrutiny in terms of targeting to get more bang for the buck.

Thank you.

Senator SASSER. Well, just let me say that you two distinguished scholars have presented in a very energetic fashion here a wealth of research and information in your testimony which is going to, I think, require some extensive study on my part and that of the staff, and we are going to have to study this and read it and reread it and take it apart, and we are going to have a lot of questions for you.

The research, I think, underscores what we have been hearing throughout some of the testimony, namely that distressed communities are forced to either raise taxes, cut services, or both, and I think this is going to be some enormously valuable information to us as we begin to really get down to drafting this legislation.

Now, your findings are going to be included in the official report, the hearing record, and, Professor Nathan and Professor Dommel, I would like to be able to counsel with you as we develop this legislation and have the staff counsel with you to develop, as we develop a targeted fiscal assistance approach.

Having said that, I do not have any specific questions that I would like to ask at this time. Is there anything additional that you think is crucial we ought to have in our heads as we leave this hearing room this morning?

Mr. NATHAN. I would just reiterate, Senator, that our experience has been that there are two things that are worthwhile to focus on as you do this work, and we are delighted to help and pleased to present this material, and we would be pleased to consult further with you and with members of your staff.

The two points are, one, to take a hard look at what is out there now. We did not really see this until we started, Mr. Dommel and I, to prepare this testimony. I refer to the way you could do some innovative work in putting together ideas around changes in the CDBG and UDAG programs.

I heard Senator Heinz mention that both you and Senator Heinz are on the committee for this CDBG legislation.

Senator SASSER. Yes, we are.

Mr. NATHAN. You are therefore positioned to make a difference for the next generation of grant reforms through a targeting approach under these existing programs based on the understanding that some experts have, and many of your articulate witnesses indicated at today's hearing, of the kinds of problems that tend to be concentrated in particularly older, declining—both large and small—jurisdictions.

The second point I would stress is that you need to do some runs, and we did not have time to do that. You would need to take these ideas that we see as glimmers and possibilities and try them out. You need to see which jurisdictions are in and which are out and what the distribution is in terms of regions and the proportion of places affected in various States.

In the process of recrafting grants it is all fine and good to have experts, but at the bottom of all of this the decisions are political and the politics are revealed by test runs.

I am delighted that you are continuing to work on this issue. We are glad to be involved and hope our efforts can be helpful.

Senator SASSER. Well, I think the runs will be very important and we will need to get the raw data from those runs and perhaps there will have to be some fine-tuning to make it more politically salable. This business of trying to deal with targeted fiscal assistance is not the easiest thing to make politically palatable to all of our colleagues from across the country that represent not only depressed areas but affluent areas and areas in between. So I think you, Dr. Nathan and Dr. Dommel, both know the political shoals that we have got to avoid as we try to fashion this legislation in such a way as to make it truly national legislation that will be acceptable, at least to a majority of our colleagues here.

Gentlemen, let me thank you very much for appearing here today and we will be in touch with you as this legislation develops.

Let me thank all of our witnesses for appearing today. The testimony we have received this week here in Washington and in Tennessee is going to be very important to the development of a record upon which we can base legislation for a targeted fiscal assistance program.

We are looking forward to working hard and fashioning legislation sometime within the next 30 to 45 days and thereby remedy some of the sad situations that we have discussed here in the past few days.

I now declare these proceedings officially adjourned.

[Whereupon, at 11:45 a.m., the Subcommittee was adjourned to reconvene at the call of the Chair.]

APPENDIX

REPORT TO SENATOR JAMES R. SASSER
ON THE USE OF FEDERAL REVENUE SHARING FUNDS
BY THE CITY OF KINGSPORT, TENNESSEE

KINGSPORT
TENNESSEE
THE MODEL CITY

PRESENTED BY

HUNTER W. WRIGHT, MAYOR

CITY OF KINGSPORT, TENNESSEE

JUNE 22, 1987

The City of Kingsport first received General Revenue Sharing funds in Fiscal Year 1973. On average, the City has received approximately $700,000 per year. The only exception being the short Federal fiscal year in 1977 when the City received $335,869 (see figures 1 and 2).

Kingsport has utilized General Revenue Sharing funds to fulfill a wide range of community needs ranging from roads to fire trucks to parks. The common theme running among these projects has been that each represents a community need that might not have been met without the extra resources provided by General Revenue Sharing.

The following report outlines the City's use of its Revenue Sharing dollars. The City believes that the projects made possible through Revenue Sharing are the best illustrations of the program's importance.

Public Safety

Kingsport has used Revenue Sharing funds to purchase a variety of Public Safety equipment. In 1980, funds were used to purchase approximately six desperately needed police cars. Police cruisers receive constant use, logging approximately 60,000 miles per year. Because of this constant use, cruisers must be replaced every two years - a real drain on a city's financial resources. In 1984, $120,000 was used to replace a fire pumper truck. While fire trucks have a long useful life, their tremendous cost makes them extremely difficult to replace.

Infrastructure

Historically, over half of Kingsport's General Revenue Sharing allocation has been used to fund new and improved infrastructure. The roots of a city are its roads, bridges, storm sewers, sanitary sewers, and street lighting. In 1979, the City used Revenue Sharing Funds to improve the Sullivan Street Bridge over Reedy Creek. The original Sullivan Street Bridge was designed in such a way that the bridge actually caused flooding during periods of high water. Water would strike the bridge support and flood the surrounding area. In addition, traffic on the bridge had increased to a point where the bridge's two lanes where no longer adequate. Revenue Sharing funds make it possible for the City to redesign and expand the bridge - saving lives and property. More recently, the City used Revenue Sharing funds to install street lighting along a stretch of the John B. Dennis Highway (Tennessee Highway 93). This particular stretch includes the intersection of John B. Dennis and Lincoln Street - a heavily traveled intersection due to its close proximity to the Tennessee Eastman plant. Installation of street lights at this intersection greatly reduced the number of traffic accidents in this area.

Economic Development

Kingsport, like most other U.S. cities, is competing heavily for jobs for its citizens. In order to attract new industry to the area, the City spent $160,000 to establish a regional service park. Currently, the service park houses 10 businesses. Also like many other U.S. cities, Kingsport is fighting to keep its downtown alive. In 1982, the City took an important step in this direction by improving one of downtown central streets. The number of traffic lanes on Broad Street were reduced from four to two. The middle two lanes were converted to parking areas, increasing the amount of available parking by approximately 75 spaces. In addition, the improvements gave the Street a more pedestrian orientation. Both of these factors combined to encourage businesses to locate in this area.

Quality of Life

Because a high quality of life is desired by its citizens, the City of Kingsport has used much of its General Revenue Sharing allocation to provide parks, library services, playing fields, and recreation programs. In 1976, the City used $524,000 to remodel and enlarge a municipal pool (Legion Pool). This Olympic size pool is a favorite summer hangout serving approximately 37,000 people per season. In 1980, the City used Revenue Sharing funds to purchase a special van for the transportation of Kingsport's handicapped senior citizens. This program still exists today and serves 144 people per year.

Improving Efficiency and Effectiveness

Often, a city can improve the efficiency or effectiveness of a service by updating its technology or improving a facility. Normally, these improvements require a large initial capital investment. The City of Kingsport has utilized General Revenue Sharing funds to improve many of the services it provides. In 1983, the City purchased side-loading trash trucks to replace its traditional rear-loaders. Because the side-loading machines are more efficient, the City was able to reduce the number of trucks needed from 5 to 3 and the number of crew members from 10 to 6. In 1979, Kingsport used revenue sharing funds to replace its animal shelter. At that time, the shelter was only large enough to house cats. All dogs had to be held in outdoor pens. In order to alleviate these harsh and unhealthy conditions a new 28 pen shelter was constructed which can house up to 50 dogs and cats. The City spent $1.4 million to replace its city garage in 1982. The previous garage had not grown with the City's fleet. The City organization's efficiency was being drastically inhibited when vehicles could not be serviced on a timely basis. The new garage can accommodate up to 26 vehicles and is designed with the capacity to handle demand for the next 50 years. In addition to the garage, the building also houses the City's central purchasing office and central stores.

Kingsport has made good use of the Revenue Sharing Funds it has received for the past 14 years. These funds have been an integral part of the City's revenue base. Revenue Sharing has allowed Kingsport to meet some of the more costly needs of the community. When the Revenue Sharing was discontinued, it represented the end of one of the finest partnership program between the federal government and U.S. cities.

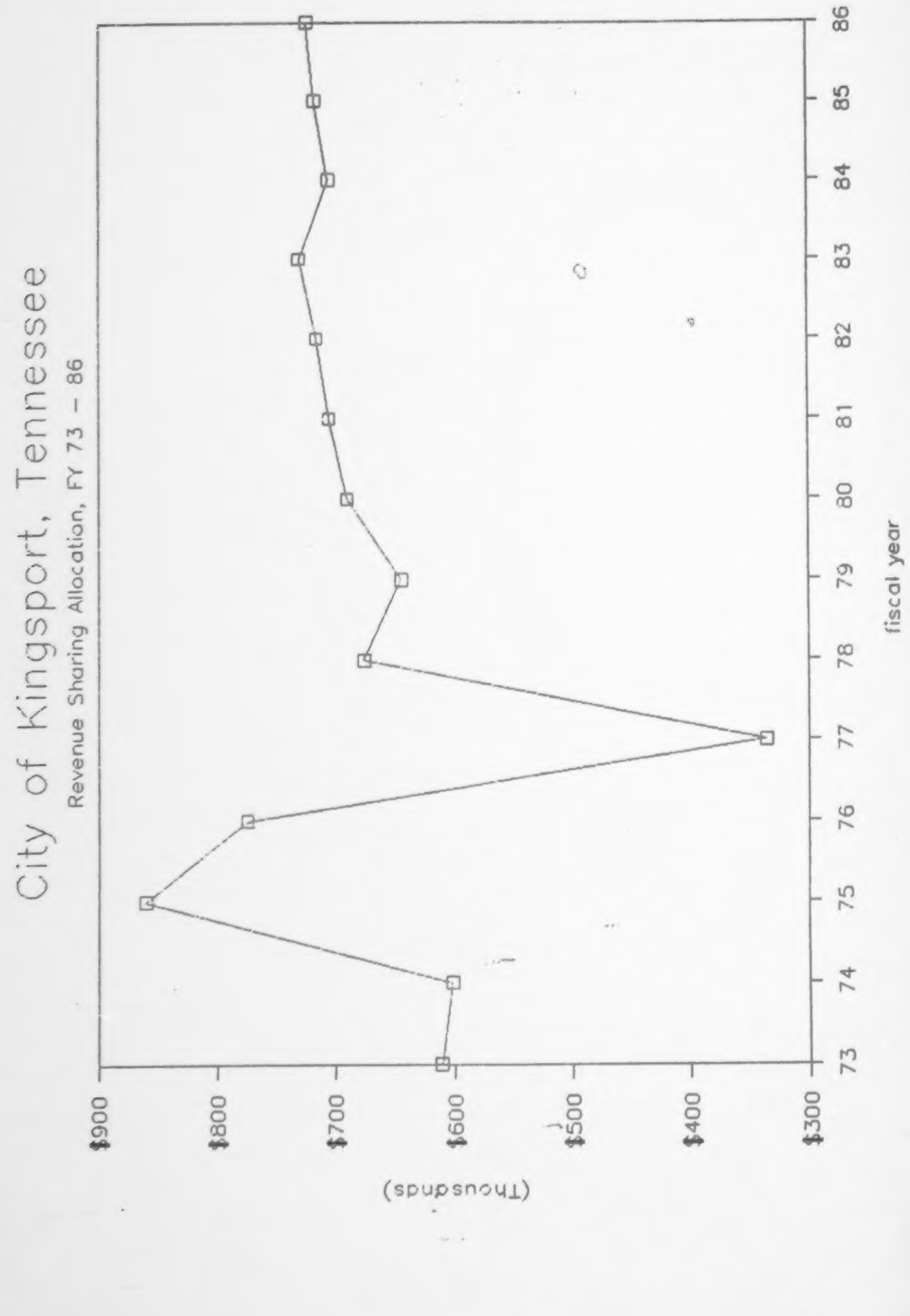
The City of Kingsport encourages the examination of the reestablishment of the Federal Revenue Sharing program. If a new Federal Revenue Sharing program is implemented, it is recommended that it be done on a per capita distribution system.

Attachment 1

CITY OF KINGSPORT, TENNESSEE
FEDERAL REVENUE SHARING ALLOCATION
Fiscal Years 1973 through 1986

	Fiscal Year	Allocation
	1973	$610,521
	1974	$601,342
	1975	$860,162
	1976	$774,391
	1977	$335,869
	1978	$675,204
	1979	$643,407
	1980	$688,986
	1981	$703,990
	1982	$714,741
	1983	$729,550
	1984	$704,907
	1985	$716,419
	1986	$723,012
TOTAL		$9,482,501

Attachment 2



COMMENTS OF TOM MOORE
REVENUE SHARING HEARING BEFORE SENATE JIM SASSER
MONDAY, JUNE 22, 1987
KINGSPORT, TENNESSEE

I would like to provide some background data on our region of the State. This data will provide insights into the current regional economy and the resulting fiscal condition of our cities and counties. This is important to understand before one can comprehend the true impact of the loss of revenue sharing funds.

We are located in the extreme northeastern corner of Tennessee and border the State of North Carolina and the Commonwealth of Virginia. The region serviced by the First Tennessee Development District consists of eight counties and within these counties 19 municipalities. Our District population in 1985 was an estimated 434,000 persons.

In 1984 our per capita income was $9,493. This is 74.7%of the national average of $12,707. (As an editorial comment, I would like to point out the obvious relationship between a community's per capita income and the ability of the government of a community to tax its cities in order to provide basic services.)

Our 1986 unemployment rate across the eight counties was 8.7%. This figure represents an increase from the 1980 unemployment rate of 6.7%. Further, in analyzing our unemployment rate, it is important to note that while the overall 1986 rate was

8.7%, for three of our rural counties the average 1986 rate was 12.8%.

The economy of our region has been severely impacted in the last several years with the closure of major manufacturing employers. Two thousand jobs were lost with the closure of International Telephone & Telegraph; another 2,000 jobs lost with the closing of Mason Dixon Truck Lines. The termination of TVA's Phipps Bend Nuclear Plant cost 3,000 construction jobs and an anticipated 300 permanent jobs. More recently, Unisys announced plans to close its Bristol plant costing the regional economy another 1,600 jobs. Other plant cutbacks and layoffs have resulted in an aggregate loss of an additional 2,600 jobs. While we have experienced some success in attracting new industry and plant expansions in our economy, our unemployment rate has increased and our rate remains higher than the national average, and as I mentioned, these factors directly impact a community's tax base and its ability to provide community infrastructure and services.

As a general statement, the loss of revenue sharing funds in our region has resulted in diminished services to our citizens and to a delay in the provision of basic improvements to our infrastructure. In the first instance, you can draw the conclusion that some of our citizens have experienced a lower standard of living as a result of the loss of revenue sharing. As examples, we have seen cutbacks in funds to senior citizen centers and senior citizen transportation; police and fire departments; rescue squads;

schools; recreation;street paving; etc. In the second instance, (by delaying needed capital improvements) we are simply creating problems down the road, which in all probability will cost more to construct than they would if built in a timely fashion.

Another impact which will not be felt for some years relates to our debt service. With the loss of revenue sharing funds, a government's first alternative to raising taxes or reducing services is to increase its bonded indebtedness. While I have seen no definitive studies on the magnitude of this impact, it is worth noting and calling to your attention for future research.

In arriving at these general conclusions regarding the loss of revenue sharing funds, our staff at the Development District polled several of our local elected officials in an effort to sample local impacts, and I will share this information with you.

Greeneville (1985 pop. 14,113) - Lost $357,000.

Originally, Revenue Sharing funds utilized on capital improvements. In later years, went into the operating budget of the school system. No fiscal adjustments have been made. Services across entire budget have been impacted.

Elizabethton (1985 pop. 12,460) - Lost $300,000.

Revenue Sharing funds underwrote entire general fund. Have cut services generally. Unable to make necessary improvements. Have reduced capital purchases.

Carter County (1985 pop. 51,700) - Lost $226,000. Revenue Sharing funds divided one-half to schools and one-half to miscellaneous services. No fiscal adjustments have been made. If budget maintained at Revenue Sharing levels would result in a .19 cents property tax increase (present rate $4.27).

Rogersville (1985 pop. 4,368) - Revenue Sharing funds were used for equipment, senior citizen services, rescue squad, and vocational rehabilitation services. No fiscal adjustments have been made.

Bulls Gap (1985 pop. 821) - Lost $15,000. Revenue Sharing funds were used for policy salaries and equipment and maintenance of city streets. No fiscal adjustments have been made.

Washington County (1985 pop. 92,100) - Revenue Sharing funds used for education. Would require a .6 cent property tax increase. No fiscal adjustment has been made.

Bristol (1985 pop. 23,986) - Revenue Sharing funds used for capital equipment and improvements. Would require a .20 cents property tax increase. Have used some long-term borrowing to reduce impact.

Hancock County (1985 pop. 6,900) - Lost $100,000. Revenue Sharing funds used for Sheriff's Department and schools. Would require a 45 cent property tax increase. No fiscal adjustment has been made.

Erwin (1985 pop. 4,339) - Revenue Sharing funds were used for equipment purchases and for mental health and senior citizen's transportation services. No fiscal adjustments have been made.

Mosheim (1985 pop. 1,569) - Lost $12,000. Revenue Sharing funds used for street paving, fire protection and recreation. No fiscal adjustment has been made.

Jonesborough (1985 pop. 2,829) - Lost $26,000. Revenue Sharing funds went into general fund budget. Have cut services for tourism and library. Would require 10 cent property tax increase. No fiscal adjustment has been made.

As you can see from this sampling, we are experiencing no new revenues being generated locally but rather a reduction in expenditures for services and capital improvements. You have others on today's program who can go into more detail on specific examples regarding the loss of revenue sharing funds.

In concluding my comments, I would like to re-emphasize the relationship between a low per capita income, high unemployment rates and the ability of a community to increase its taxes. It is very difficult to support local tax increases on the property of an unemployed family. The impact of the loss of revenue sharing funds is much more severe on communities in adverse economic conditions than on those which are experiencing "good times".

MY NAME IS JOHN HANKINS. I AM CURRENTLY SERVING AS COUNTY EXECUTIVE OF GREENE COUNTY. I HAVE SERVED IN THIS POSITION SINCE SPETMEBER 1982. PRIOR TO ASSUMING MY CURRENT POSITION, I SPENT 31 YEARS AS AN EMPLOYEE OF THE GREENE COUNTY SCHOOL SYSTEM. DURING MY TENURE WITH THE LOCAL SCHOOL SYSTEM I HAD EXPERIENCE AS A CLASSROOM TEACHER THROUGH THE ADMINISTRATIVE LEVEL.

LET ME TELL YOU JUST A LITTLE BIT ABOUT GREENE COUNTY. GREENE COUNTY RANKS 16TH IN SIZE ACCORDING TO POPULATION AS ENUMERATED BY THE 1980 CENSUS. THE COUNTY HAS AN AREA OF APPROXIMATELY 613 SQUARE MILES WHICH PLACES IT AMONG THE LARGER OF THE 95 COUNTIES IN THE STATE OF TENNESSEE. THE COUNTY HAS FOUR INCORPORATED AREAS. THE LARGEST BEING THE COUNTY SEAT WHICH IS GREENEVILLE AND THREE OTHER INCORPORATED AREAS; THE TOWN OF BAILEYTON, THE TOWN OF MOSHEIM, AND THE TOWN OF TUSCULUM. GREENE COUNTY PROVIDES THOSE SERVICES BEING PROVIDED BY MOST OTHER COUNTIES LOCATED THROUGHOUT THE COUNTRY INCLUDING EDUCATION, CONSTRUCTION AND MAINTENANCE OF ROADS, LAW-ENFORCEMENT, HEALTH, SANITARY WASTE DISPOSAL, EMERGENCY MEDICAL SERVICES, ETC.

THE COUNTY HAS A LABOR FORCE OF 27,740 PEOPLE AND AS OF APRIL 1987 TWELVE (12%) PERCENT OF THESE FOLKS WERE UNEMPLOYED.

YOU MAY NOTE THAT THIS IS ONE OF THE HIGHER RATES OF UNEMPLOYMENT IN THE AREA.

MY PURPOSE HERE TODAY IS TO EXPRESS TO YOU MY DEEP CONCERN ABOUT THE IMPORTANCE OF THE GENERAL REVENUE SHARING PROGRAM WHICH HAS BECOME A PART OF GREENE COUNTY FINANCIAL PLANNING FOR THE PAST SEVERAL YEARS. GENERAL REVENUE SHARING MONIES HAVE BEEN USED IN OUR COUNTY TO ASSIST WITH ROADS AND HIGHWAYS, AIRPORT IMPROVEMENT, LAW ENFORCEMENT ACTIVITIES, HEALTH & SANITATION -- WITH THE MAJOR PORTION GOING TOWARD EDUCATION OF MORE THAN TEN THOUSAND YOUTH ATTENDING PUBLIC SCHOOLS IN GREENEVILLE AND GREENE COUNTY.

TO EMPHASIZE THE SIGNIFICANCE OF THE AMOUNT OF MONEY THAT HAS BEEN RECEIVED FROM GENERAL REVENUE SHARING AND TO SHOW THE IMPORTANCE THAT IT PLAYED IN FINANCIAL PLANNING LET ME OPINT OUT TO YOU THAT THE CITY AND COUNTY HAVE BEEN RECEIVING OVER THE YEARS APPROXIMATELY $800,000 ANNUALLY. WHEN THESE FUNDS WERE DISCONTINUED-- THIS MEANT THAT THE RESIDENTS OF THE CITY OF GREENEVILLE HAD TO PROVIDE REPLACEMENT FUNDS THAT AMOUNTED TO ALMOST THIRTY-ONE CENTS IN LOCAL PROPERTY TAX. THE LOSS TO GREENE COUNTY AMOUNTS TO ABOUT SIXTEEN CENTS IN LOCAL PROPERTY TAX.

IN ADDITION TO ALL THE GENERAL USES AND ALL THE IMPROVEMENTS WHICH GENERAL REVENUE SHARING FUNDS HAVE MADE POSSIBLE FOR GREENE COUNTY CITIZENS LE ME POINT OUT TWO PARTICULAR INSTANCES IN WHICH THE LOSS OF THESE FUNDS HAS MADE A SIGNIFICANT DIFFERENCE DURING THE RECENT PAST.

DURING APRIL OF 1987 THE GERENE COUNTY SCHOOL SYSTEM FACED A FINANCIAL CONDITINO WHICH THE SUPERINTENDENT REFERRED TO AS A CRISIS SITUATION. BECAUSE OF THE CRISIS EXPERIENCED BY THE LOCAL SCHOOL SYSTEM 85 EMPLOYEES WERE LAYED OFF BECAUSE OF LACK OF FUNDS TO CONTINUE THE OPERATION OF THE SCHOOL SYSTEM AT ITS CURRENT LEVEL FOR THE REMAINDER OF THE YEAR. IF GREENE COUNTY HAD BEEN RECEIVING REVENUE SHARING FUNDS I AM MOST CONFIDENT THAT WE COULD HAVE PREVENTED THIS CONDITION FROM OCCURING IN OUR COUNTY.

LET ME MAKE A SECOND POINT THAT IS OF CURRENT ORIGIN. DURING FEBRUARY OF 1984 THE UNITED STATES FEDERAL COURT ORDERED GREENE COUNTY TO CONSTRUCT A CONSTITUTIONALLY SUFFICIENT JAIL. AFTER THE COUNTY HAD BEEN ORDERED TO CONSTRUCT THIS NEW JAIL, IT IMMEDIATELY WENT ABOUT SETTING SOME SORT OF PRIORITY IN ACCUMULATING THE FUNDING TO PAY FOR THE CONSTRUCTION. GENERAL REVENUE SHARING WAS ONE OF

APPROXIMATELY SIX SOURCES OF FUNDS THAT WERE POOLED TO ASSIST IN PAYMENT OF THIS CONSTRUCTION. ONE OF THE REASONS FOR THE USE OF GENERAL REVENUE SHARING FUNDS WAS THAT LOCAL CITIZENS IN GREAT NUMBERS INSISTED THAT IF THE FEDERAL GOVERNMENT AS GOING TO MANDATE SUCH A PROJECT TO BE COMPLETED THERE SHOULD BE SOME FINANCIAL ASSISTANCE FROMT HE FEDERAL GOVERNMENT TO HELP MEET THE DEMANDS. THE ONLY FEDERAL MONEY AVAILABLE AT THE TIME WAS THE GENERAL REVENUE SHARING MONEY.

GREENE COUNTY HAS FOLLOWED THE POLICY, SINCE I HAVE BEEN IN OFFICE, OF ONLY OBLIGATING THE GENERAL REVENUE SHARING FUNDS WHICH HAD BEEN RECEIVED OR WERE CURRENTLY AVAILABLE. IN OTHER WORDS WE DID NOT OBLIGATE MONIES THAT HAD NOT BEEN RECEIVED. THAT IS WHY I AM EXTREMELY CONFIDENT THAT WE WOULD HAVE HAD A POOL OF FUNDS TO ASSIST OUR LOCAL SCHOOL SYSTEM WHEN THEY APPROACHED A CRISIS SITUATION.

LET ME GIVE YOU AN EXAMPLE OF A PERSONAL SITUATION THAT RESULTED BECAUSE PEOPLE WERE LAYED OFF FROM THE LOCAL SCHOOL SYSTEM. MY WIFE SERVES AS A LIBRARIAN AT ONE OF THE LOCAL GREENE COUNTY HIGH SCHOOLS. A YOUNG LADY WITH THREE CHILDREN, A WIDOW, WHO HAS

THE RESPONSIBILITY FOR THOSE CHILDREN, WAS AN EMPLOYEE WHOSE JOB WAS TERMINATED. SHE HAS FULL RESPONSIBILITY FOR THE EXPENSE OF THE HOME AND THE CHILDREN. ANOTHER EXAMPLE, AT AN ELEMENTARY SCHOOL. A LADY WHO LIVES ALONE, HAS A GROWN DAUGHTER AND HAS FULL RESPONSIBILITY FOR THE EXPENSES OF THE HOME WHOSE JOB WAS TERMINATED HAD TO SEEK EMPLOYMENT IN SOME OF THE LOCAL HOMES TO COMPENSATE FOR THE LOSS OF WAGES BECAUSE OF THE TERMINATION OF HER JOB.

MY SON AND I PROVIDED SOME EMPLOYMENT FOR THIS LADY IN ORDER FOR HER TO RECEIVE ENOUGH MONEY TO MEET THE PAYMENTS FOR THE BILLS THAT SHE HAD TO PAY.

GENTLEMEN, REVENUE SHARING IS VERY IMPORTANT TO THE ECONOMY OF THE PEOPLE OF MY COUNTY. IT IS ONE SOURCE OF MONEY THAT THE CITIZENS OF MY COUNTY HAVE SENT TO WASHINGTON WHICH IN THE PAST HAS BEEN RETURNED TO PROVIDE SOME OF THE NECESSITIES AND HOLD DOWN SOME OF THE LOCAL PROPERTY TAX INCREASES THAT APPEARS TO BE IMPOSSIBLE TO RETAIN ANY LONGER. MY COUNTY IS CURRENTLY LOOKING AT A SIZEABLE INCREASE IN LOCAL PROPERTY TAXES. SHOULD WE HAVE CONTINUED TO RECEIVE A PORTION OF THOSE MONIES WHICH OUR CITIZENS SENT THE FEDERAL GOVERNMENT IT WOULD BE A GREAT RELIEF TO OUR TAX PAYERS.

IT IS MY SINCERE HOPE, SENATOR, THAT WE CAN SUPPORT, WITH ALL VIGOR, YOUR FUTURE EFFORTS TO RESTORE A PORTION OF THOSE FUNDS WHICH HAVE BEEN TAKEN AWAY.

THANK YOU VERY MUCH FOR THIS OPPORTUNITY TO APPEAR HERE AND I WILL BE MOST HAPPY TO ANSWER QUESTIONS THAT YOU MAY HAVE.

JOHNSON COUNTY GOVERNMENT
Curtis Sluder, County Executive
222 Main Street
Mountain City, Tenn. 37683
Phone (615) 727-9696

I want to thank you Senator Sasser for giving me the opportunity to appear before you and this subcommittee. The loss of Federal Revenue Sharing has had a tremendous negative impact on Johnson County and I commend you for your interest in seeing that some type of revenue sharing program is reestablished.

Johnson County is one of the most rural counties in the state. Even with our best efforts, our lack of an adequate tax base, high unemployment, (16.2% in 1986), plus state mandated expenditures, helps make us fall short in providing needed services and jobs to the residents of our county. Our present tax rate of $4.80 is effectively taxing our residents at a higher rate than over two thirds of the other counties are taxing theirs.

With all our demands on our local budget we aren't even able to take advantage of offers of help. The County Commission turned down a $90,000 matching grant for a local library because they felt they couldn't afford the operation and maintenance on the larger building. The School Board had to return $5,000 to the Levi Strauss C.I.T. becuase they couldn't come up with the local match for an atheletic track at the county high school.

Revenue Sharing money was used wisely in Johnson County.(see list) We didn't build centers for the performing arts, we upgraded our schools, we didn't build bike and jogging trails because our county roads were unpaved. We presently could be compared to a drug addict who has lost his supply, we are experiencing severe revenue withdrawal symptoms. I am sure the county could have lessened the symptoms by using the money on non-essential items and services but we didn't. It's hard to spend money unwisely when you are already unable to provide the basic, needed services.

The cooperative attitude between Johnson County and Mountain City has begun to deteriorate under the pressure. The city has dropped their support for the investigator, senior citizen center, library, mental health center, civil defense, juvenile services officer and other areas. Their sole reason for no longer aiding the county with these worthy items is that they have lost revenue sharing. We presently have less and less to deal with more and more. (see letter)

With federal budget cuts we not only lost General Revenue Sharing, which was direct to the county, we are loosing money from the state of Tennessee. The county is now having to pick up a much larger share of federal and state mandated or initiated programs. Local governments certainly aren't motivated to heap praises upon the creators of new programs and regulations especially when the cost is shifted to the local level where the tax base is not sufficient to fund them.

At times, a small county like Johnson is at a disadvantage just because it is small. This past year the state in it's infinite wisdom decided that we would have to purchase a front end loader before we could properly operate our sanitary landfill, 14,000 people in Johnson County bought one, in Carter County 50,000 people would by one and in Sullivan County 150,000 people would buy one. Even though we are taxing ourselves at a higher rate than the average county in the state we still come up short, partially because of the "built in cost of doing business".

I think it is obvious that local governments presently enjoy more federal and state regulations and less money to enjoy them with. I can assure you that the position local governments find themselves in today is not an enviable position. The county is presently utilizing all three measures at its disposal to generate revenue, the property tax, wheel tax and sales tax. We feel these rates are as high as they can be without being counter productive.

With the loss of $170,000 in revenue sharing for the 86-87 budget year the headlines in the local paper read "Taxes go up, services cut".

This past year, the commission approved a record 84 cent tax increase, we have gone through a taxpayer's revolt, the senior citizens center was cut from $21,000 to $11,000, rescue squad funds were cut $10,800, eight fire departments collectively went from $20,000 to $12,300, the library budget was cut from $7,000 to $4,000, the Sheriff's already inadequate budget was cut $25,000, our under paid county employees have only had a 3 percent raise over the last five years. I am not attempting to blame the loss of Revenue Sharing as being the creator of all these problems, but it most definitely played a part and without it, it will take much longer for conditions to improve.

Local governments are in the "eye of the storm" without the means to adequately cope with what is expected of them. An understanding ear and an appropriately designed revenue sharing program will most definitely make the "home front" a better place to be.

FEDERAL REVENUE SHARING FUNDS WERE USED FOR THE FOLLOWING:

Hospital 1973-74 (154,000.00)

Highway Department - Equipment, Asphalt and Stone
Construction of Highway Department's building
Rescue Squad
Fire Departments 12.300 - 90 000 budget
Sheriff's Department - Equipment, jail renovation, patrol car operation and maintenance, salaries for sheriff's department, medical and dental care of prisoners

Schools - Buses and other vehicles, aides and security guards, renovation of building, supplies, athletic department, band and other equipment

Agriculture and Extension Service - Sewing machine, camera and other supplies

Shady Valley Caution Light

Senior Citizens Center

Civil Defense

Library

Heat for county office building

Airport

Drug & Alcohol Program

Butler Control Project

Dog Pound

Paving courthouse parking lot and purchasing property for parking lot for courthouse

Retirement matching

Little League

Computer for Accounting Department

Health Department

Vocational Greenhouse

Tri-Cities Tech.

Juvenile Detention Center

PREPARED STATEMENT OF JUNE ELLIOTT

JUNE 22, 1987

Senator Sasser, I am delighted to represent Unicoi County and my boss, County Executive Fred Congdon here today. I have worked in the office of County Executive since 1968. I have seen and experienced many changes in county government during these many years. Some of these were brought about with the introduction of the General Revenue Sharing Trust Funds in 1972.

In order to better understand the impact of the General Revenue Sharing Program on Unicoi County, there are some facts about the county that I feel you should know. These facts are:

(1) We are a small county with a population of 16,362; of this number 24.4% are under the age of 18. These are young people who must be educated in the Unicoi County School System.

Also, of this number, 20.2% are 60 years of age and up. These are persons who are either retired, or approaching retirement, who must, for the most, live on fixed incomes.

(2) The land area of Unicoi County is 185 sq. mi. which makes it the smallest county area-wise in the First Tennessee Development District. However, it gets worse - 47% of this area is owned by the U.S. Forest Service, an additional 7% is owned by other governmental entities or is tax exempt, giving us a tax base on only 40% of the land in Unicoi County.

(3) The unemployment rate averaged 11.3% in 1986. In March of this year it reached 12.1%.

(4) Unicoi County has suffered a devastating loss of jobs, and revenues due to the merger of Clinchfield Railroad into the Seaboard Coastline System. It is estimated approximately 100 families have moved from the county. We have felt the loss of these salaries - all merchants and businesses have suffered losses, some have closed. Not only have we felt the economic impact of this change, we have also felt the social impact, especially in community leadership, and in civic and educational projects.

(5) For many years, Unicoi County was dependent on the tax revenues from public utilities, as assessed by the Public Service Commission. However, due to the 4-R Act our PSC assessment has decreased from $7,435,165 in 1980 to $4,803,477 in 1986.

Now, the question, What is the fiscal impact on local government as a result of the loss of General Revenue Sharing? I could almost say its the "straw that broke the camels back," but we are trying to cope. As Revenue Sharing funds have diminished we have had to cut back on services, raise taxes, and some expenditures are being put-off to some future time. For instance, our Rescue Squad requested funds for new equipment in last years budget which could not be funded, this year the request is for $22,282 above last years appropriation, this amounts to a 38 cent increase in the tax rate. The schools have been receiving $50,000 from Revenue Sharing for the past three (3) years for general operating expenses - this year there are no Revenue Sharing funds, this amounts to another 85 cents increase in the tax rate.

The County Commission raised taxes in 1984, 1985 and again in 1986. The budget committee is certainly facing a dilemma in preparing the upcoming budget. How much can you raise taxes, when approximately 12% of families are already living below the poverty level? Or what services can be cut or eliminated without seriously effecting the health and welfare of the community.

I believe that Unicoi County has been unique in the management of Revenue Sharing funds. Every citizen has benefited, not only in a lighter tax burden, but culturally and socially. Revenue Sharing has helped in funding libraries, the local museum; Senior Citizens Center, the Mental Health Center, a Regional Juvenile Facility and etc.

To share an example with you. Five thousand dollars went toward helping the Limestone Cove Community renovate an old abandoned schoolhouse into a community center. This has become a hub of community activity for both the young and the old. It also serves as a very nice place to hold elections in that precinct.

Another example of community spirit and its results; The County Commission agreed to appropriate $10,000 of Revenue Sharing funds toward buying materials for a much needed new field house, and a little league ballfield, other materials were donated by businessess, volunteer labor was used to construct both - Results? Since 1984 Unicoi County has had State Championship teams in football, basketball and baseball. Many High School Seniors have won college scholarships in all sports, and this year one young man has been chosen for a professional baseball team. A small appropriation bought a lot of community spirit and togetherness.

The project that many Unicoi County Citizens are most proud is the courthouse which was constructed and equipped with the use of Revenue Sharing funds. We call it "the house that Revenue Sharing built." Years and years from now, when people ask, "Where did our Revenue Sharing funds go? We can point them to the nice, modern, serviceable courthouse.

The other project which all citizens will continue to profit from is the Unicoi County Industrial Park. Land was purchased with Revenue Sharing monies, and improved with an ARC Grant. Today we have two industries located there.

How can we continue to progress as small county with our limited resources? Yes, Senator, I believe Revenue Sharing, or some other source of funding, should be forth coming immediately. Small local governments cannot continue to fund all basic services for its citizens at an acceptable level without some help.

Unicoi Counties feel they have been good stewards of the funds entrusted to them in the years past. Our present County Commission and elected officials are dedicated to the continuance of this policy.

Thank you.

June B. Elliott
Administrative Assistant
Unicoi County Executive
P.O. Box 169
Erwin, TN 37650

QUESTION:

1. HOW WILL UNICOI COUNTY REPLACE THE LOSS OF REVENUE SHARING FUNDS?

ANSWER: SENATOR, IN UNICOI COUNTY THERE ARE ONLY TWO WAYS PRESENTLY- (1) REDUCE GOODS AND SERVICES, (2) RAISE TAXES

2. WHERE HAVE REVENUE SHARING FUNDS BEEN SPENT?

ANSWER: SEE ATTACHED SHEET

3. WHAT IS THE IMPACT ON THE INDIVIDUAL?

ANSWER: TAX INCREASES, THUS CREATING A LOWER STANDARD OF LIVING FOR MANY CITIZENS. PERHAPS THE DENIAL OF NEEDED EDUCATIONAL OPPORTUNITIES FOR OUR YOUNG PEOPLE, AND CURTAILED SERVICES FOR THE ELDERLY.

TOTAL REVENUE SHARING FUNDS RECEIVED - $2,197,500 1972-1967

EXPEDITURES OF FUND INCLUDE:

COURTHOUSE & ADDITIONAL CLASSROOMS TO UNICOI ELEMENTARY SCHOOL	$1,278,795
RESCUE SQUAD FOR AMBULANCE & OPERATING EXPENSES	84,026
INDUSTRIAL PARK LAND	158,792
GENERAL PURPOSE SCHOOLS	370,947
SENIOR CITIZENS CENTER	12,000
LIBRARIES	7,021
FIRE DEPARTMENTS	12,000
HERITAGE MUSEUM	4,000
LIMESTONE COVE COMMUNITY CENTER ALSO VOTING PRECINCT	5,000
YOUTH DIRECTOR - UNDERPRIVILEGED	18,501
MENTAL HEALTH CENTER	12,000
REGIONAL JUVENILE FACILITY	28,023
TOURISM COUNCIL	4,229
SOLID WASTE STATIONS	5,547
NEW ROOFS ON COUNTY BUILDINGS	10,000
LITTLE LEAGUE FIELD	10,000
NEW FIELD HOUSE - MATERIALS	
RECORDS & BINDING OF OLD COUNTY RECORDS	
LAW ENFORCEMENT TRAINING PROGRAMS	
DRUG PROGRAMS	

Testimony of Mayor Richard Fulton
Senate Sub-committee on Government Efficiency,
Federalism and the District of Columbia
June 22, 1987
PAGE 1

Senator Sasser, members of the Committee. I appreciate this opportunity to testify on the status of the partnership between cities and the federal government which, in the past, has sought to address and meet the most critical needs of our citizens.

Before I begin my testimony, I would like to welcome the members of the committee to Nashville. I hope that after you finish today's proceedings you will take time to see some of what Nashville has to offer and enjoy our very special brand of hospitality.

Today I represent local government - cities - the government closest to the people. When someone is hungry, when they need a place to live or a job they come to us - because we ARE right here, and we do our best to help them.

Because of this, a partnership of service was formed many years ago between the federal government and cities. At that time the people in the federal government and in Congress, (and I was one of them) saw that by joining the resources of the federal government and the service delivery capabilities of local government our problems could be attacked on the front line - by the government closest to the people.

That partnership has changed dramatically during the 1980's. The federal government has almost abandoned the partnership. It has abdicated its responsibility. They have left us with the problems but kept the money!

Just when it became obvious that the United States must effectively compete in a world marketplace based on advanced technological skills, funds for job training were cut it Nashville over 82%. This has left the unskilled worker farther behind than ever before.

And how does that unskilled worker, who is very likely a single mother, find a decent, affordable home when, in the past six years, the federal government has reduced its support for assisted housing over 75 percent?

Here in Nashville, the Community Development Block Grant has proven to be a dependable and effective vehicle to deliver housing, economic development and human services to low and moderate income people. Funds for this program have been cut, too - 40% since 1980.

Federal actions of the past few years do not represent a reasoned and coordinated reform of the federal system, but rather have been adopted in a series of unconnected actions with direct or indirect intentions of relieving federal budget problems by shifting fiscal burdens and health and welfare responsibilities to other levels of government. During this Administration $20 billion dollars have been cut from key urban services. These federal actions have caused severe fiscal distress for many cities, forcing local tax increases and reductions in service Because of the Phase-out of industrial development bonds, cuts in economic development aid, community development block grants, employment, training and education programs and infrastructure assistance, cities no longer have the tools they once had to develop local economies and increase jobs.

Because of Nashville's consolidated government and our diligent efforts to maintain a healthy and growing economy, We are much better off than many cities. But, if we were to fund the dollars we have lost through General Revenue Sharing, in employment and training programs, Community Development Mass transit and assisted housing alone we would have to raise property taxes 78 cents, or 20 percent.

Most urban areas, especially those with an eroded or eroding tax base simply cannot afford to provide full funding for these programs.

We all recognize the need for responsible federal spending, cities and states know what it means to have to balance a budget. But, under current conditions the weakest among us and those agencies that seek to serve them have borne the full brunt of the federal cuts. Common decency, and the federal government, mandate that the needs of these people - our citizens - must be met. We cannot abdicate our responsibility.

Where Does this leave us?

As you may know, the U. S. Conference of Mayors recently met here in Nashville. As a part of our proceedings, the Conference adopted a number of resolutions which reflect the needs of America's urban areas. Many of the resolutions address problems which you will encounter in these hearings, but I think that two resolutions in particular address the federal-city partnership in providing service to our citizens. I have attached copies of these resolutions to my written testimony.

The first resolution calls for stabilizing the National Intergovernmental System. In this resolution we ask that Congress enact a new program of compensatory federal payments to local governments, permitting maximum flexibility for use in meeting priority local needs and to ease the burden of existing unfunded mandates.

The second resolution which I present to you today, calls upon Congress and the Administration to enact a program of targeted fiscal assistance for communities and states suffering from high unemployment and other economic problems. In enacting such a program we ask that Congress design a formula for the distribution of program dollars which helps those communities experiencing short-term economic crisis, as well as those suffering chronic long-term decline.

These programs, if enacted with adequate funds, could restore the initially intended partnership between the federal government and the cities of our nation.

Thank you.

Resolution No. 2

Stabilizing the National Intergovernmental System

Mayor Sensenbrenner, Jr.
Madison

Mayor Dianne Feinstein
San Francisco

1) WHEREAS, the nation's intergovernmental system has been profoundly altered over the past decade by an accelerating trend of unprecedented federal encroachment on the traditional prerogatives of state and local government, accompanied by major shifts in the fiscal relationships between the federal government and the states and localities; and

2) WHEREAS, federal action affecting the federal system over the past decade has included:

- Imposition of restrictions on the purposes, volume, and issuance costs of state and local tax-exempt bonds so severe that issuers are looking increasingly to more costly taxable bonds to meet financing needs;
- Termination of the deductibility of state and local sales taxes from federal income taxation;
- Continued imposition of costly federal mandates on states and localities, with little or no federal funding to pay for them;
- Termination of the general revenue sharing program, a cornerstone of federal-local fiscal relations since 1972, which provided partial compensation for unfunded federal mandates and represented a critical fiscal support for economically-distressed communities;
- Massive, unilateral federal withdrawal of financial support from programs which represent a federal-city partnership effort to meet critical needs in such areas as low-income housing, community and economic development, mass transit, law enforcement, employment and training, and water pollution control; and

3) WHEREAS, these federal actions do not represent a reasoned and coordinated reform of the federal system, but rather have been adopted in a series of unconnected actions with the direct or indirect intention of relieving federal budget problems by shifting fiscal burdens and

health and welfare responsibilities to other levels of government; and

4) WHEREAS, since the Supreme Court decision in the 1985 Garcia case there are no effective constitutional limits to federal encroachment on state and local prerogatives, and the U.S. Congress is the effective court of last resort on issues of balance in the federal system; and

5) WHEREAS, the combined impact of the aforementioned federal actions has already caused severe fiscal distress for many cities, forcing local tax increases and reductions in services; and

6) WHEREAS, a continuation of the trend represented by these actions would cripple the capacity of local government to provide traditional services and participate in partnership efforts to address priority national needs; and

7) WHEREAS, the magnitude of the impact of recent federal actions affecting the federal system is so significant as to overshadow policy differences on federalism issues among states, counties, cities, and towns,

8) NOW, THEREFORE, BE IT RESOLVED that the U. S. Conference of Mayors calls on the federal government to refrain from further action through tax, program, budget, and appropriations legislation, as well as through regulatory and administrative action, which would encroach further on the prerogatives and fiscal capacity of state and local government; and

9) BE IT FURTHER RESOLVED that the U. S. Conference of Mayors calls on the U.S. Congress to enact appropriate self-restraint measures to inhibit the imposition of additional unfunded mandates on state and local government; and

10) BE IT FURTHER RESOLVED that the U.S. Conference of Mayors calls on the Congress to enact a new program of compensatory federal payments to local governments, permitting maximum flexibility for use in meeting priority local needs, to ease the burden of existing unfunded mandates; and

11) BE IT FURTHER RESOLVED that the U. S. Conference of Mayors calls on the national organizations representing states, counties, and towns to join with cities in the development of common goals and a joint strategy for restoring stability and balance to the federal system.

Projected Cost: Unknown

PREPARED STATEMENT OF MAYOR DON TROTTER

THE RATIONALE FOR REVENUE SHARING

General Revenue Sharing was born with the realization that the large number of policy objectives undertaken by the Federal Government during the 1960's required a new era of partnership between the Federal Government and State and Local governments. The goals that grew out of the government activism of the 1960's were widely lauded. Programs such as: a cleaner environment; improved health care; services for the needy and handicapped; and better criminal justice. These are only a few of the programs started in the 1960's. The federal mandates passed to achieve the goals were expensive and required local government to pick up some of the cost. It seemed only fair to require the Federal Government, with its vast and efficient capacity for raising revenue, to help pay for the new mandates it was promoting.

On October 20, 1972, the General Revenue Sharing Bill was signed into law. The first funding was for five years. It was renewed for four years in 1976 through 1980. In 1980 Congress renewed the program for three more years, but dropped state governments from the program.

Mayor Fulton has given you an excellent overview of the problems as they exist in the cities.

We, in the City of Clarksville, feel very strongly that Revenue Sharing has been the most flexible type of federal funding in helping meet local needs. Unlike many other federal programs to local governments, General Revenue Sharing comes with a minimum of strings attached.

The City of Clarksville used Revenue Sharing as follows:

1972 through 1975 - All of our Revenue Sharing funds were used within our Gas, Water, and Sewer Department for environmental improvement for health and safety. During this time our water and sewer treatment plants were expanded and updated.

1976 through 1986 - We focused on the areas and departments where most of our citizens would benefit from the revenue sharing fund. All people use city streets, require fire and police protection. Therefore, we concentrated heavily on these areas.

Programs were also started in our Recreation Department from the use of Revenue Sharing funds that may not have started if we had not received the funds.

Please allow me to give you some specific examples from past years' budgets:

The loss of Revenue Sharing monies in the City of Clarksville, Tennessee, based on our present tax base would mean an increase of 52¢ (32.5% increase) per $100 valuation on our property tax just to meet the average loss of income from the past Federal Revenue Sharing programs.

Our local economy is the only thing that has kept us from having to raise property taxes (a regressive tax) to meet the loss of past funding. We have been fortunate in this regard probably because of the stabilizing influences of Fort Campbell and Austin Peay State University. But if our economy has a slump, it could be devastating to our City's services to our citizens, and employees would have to be laid off causing a significant rise in umemployment.

In our Statistical Metropolitan Area Clarksville is shown to have a high unemployment rate presently.

As Chief Executive Officer of the fifth largest city in Tennessee, I emplore the U. S. Congress and the Reagan Administration not to destroy our cities by ending Revenue Sharing Funding.

It has proven to be one of the few effective Federal, State, and Local Partnerships that work for the benefit of the taxpayers. I commend you, Senator Sasser, for your efforts and for the opportunity you have given us to address this matter.

Thank you.

Mayor Don Trotter
City of Clarksville, Tennessee
June 22, 1987

PREPARED STATEMENT OF JUDGE JOHNNY FORTNER

I thank you for the opportunity to appear before this group and share with you a part of my experience with adverse effects the loss of Revenue Sharing has had on the funding of necessary services in Humphreys County.

Revenue sharing has in the past been a very important part of the general budget. While being targeted to what we consider the most critical areas, such as education, sanitation programs, the prison system, care for the aged, nutritional assistance for senior citizens and underprivileged, police protection, highways, public facilities, mental health and general welfare. All services have been severely affected.

Humphreys County has an unemployment rate of 19.6% of the total work force as a result of foreign competition.

With this loss of income, the revenue from local sales tax is drastically reduced, while at the same time, the demands for services are increased.

Only two significant sources of revenue that can be adjusted are available to local, are the local sales tax and property tax, the sales tax has been increased to the highest level allowed by law and the county has the 10th highest effective tax rate in Tennessee.

While spending seventeen years as a property assessor, and realizing that property tax is the most dependable source of revenue we have, at the same time, I consider it the most unfair tax we have and should not become a greater burden.

Our efforts to fund services we consider high priority, have reduced funding for others, that are essential to our general welfare.

It has become necessary to reduce some of the funding of projects such as senior citizens nutritional programs, reductions of home care for the aged, and meals on wheels.

The Highway program has been drastically reduced, the county wide garbage collections system is neglected to the point that we cannot project how long we will be able to provide this very necessary service.

Capital improvements are virtually non-existant. And we are faced with the fact that the prison system must improve, which could require the building of a new facility and since the transportation equipment has been neglected so long, new vehicles will be required as well as additional personel must be added if we are to provide the protection that is essential to the welfare of our people.

We in Humphreys County are a people with pride and do not really care to rely on others for assistance, however, the results that I have mentioned in this presentation are beyond our control.

We would hope that some relief might become available.

If the General Revenue Sharing programs cannot be reinstated, at its last level of funding, I would suggest a revised form of revenue sharing would be very helpful, and special emphasis should be placed on local governments with high unemployment and high property tax.

United States General Accounting Office

GAO Testimony

For Release on
Delivery
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June 24, 1987

Targeting Fiscal Assistance to Reduce Fiscal Disparities

Statement of
Charles A. Bowsher
Comptroller General
of the United States

Before the
Subcommittee on Government Efficiency,
Federalism and the District of Columbia
Committee on Governmental Affairs
United States Senate

Targeting Fiscal Assistance to Reduce Fiscal Disparities

Summary of GAO Testimony

While general revenue sharing responded to the needs of the 1970's, today's fiscal environment has changed. Shrinking federal aid to states and localities means that they are now financing more of their public service needs from their own resources. This has intensified the fiscal pressures faced by local governments serving poorer communities whose taxable resources make it difficult to adequately meet public service needs. If the Congress decides that helping such governments represents an appropriate use of federal funds, GAO believes that targeting the assistance to communities that need it the most can alleviate fiscal disparities at substantially less cost than general revenue sharing.

The moderately targeted revenue sharing program reduced the revenue gap between high and low income communities by approximately 15 percent for $4.6 billion. A more targeted formula could achieve the same 15 percent level of disparity reduction for $2.4 billion. A highly targeted formula could achieve a 25 percent disparity reduction for as little as $1 billion.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to talk about how the federal general revenue sharing program has helped fiscally distressed communities and why a more targeted approach to providing fiscal assistance would be better suited to today's fiscal conditions.

The general revenue sharing program was introduced during a period when the character of assistance to state and local governments was dramatically different than it is today. The early 1970's brought rapid increases in both the dollars and types of programs flowing from Washington to local communities. In this environment, revenue sharing not only helped communities with fiscal problems, but also gave them flexible monies that could be used to fill gaps in services not funded through other federal programs. In this context, general revenue sharing responded to the needs of the 1970's.

But today the environment has changed. General revenue sharing is gone, and federal aid to localities is shrinking not growing. Also, states have more flexibility to choose the mix of program services for their localities through various block grants. States and localities now have to finance more public services with their own funds. This, in turn, places a greater burden on governments serving poorer communities to maintain such services. In this new environment, two questions remain: What is the magnitude of fiscal disparities? Can a program be developed that would alleviate fiscal disparities between high- and low-income communities at less cost than general revenue sharing. These are the topics I would like to cover today.

Let me begin by defining what we mean by fiscal disparities. Essentially, they are differences among communities in the taxable resources available and in public service needs. Given the same tax rate, a community with a lower economic resource base will derive fewer tax dollars per resident than a community with more taxable resources. Therefore, poorer communities must either accept lower levels of public services or tax themselves more heavily than their better-off neighbors in order to provide the same array and level of services.

Fiscal disparities among the nation's communities are substantial. As pointed out in our July 1986 report, we analyzed tax and income data for 38,880 units of local government in 3,134 counties across the United States. The data showed that, nationwide, cities, counties, and townships collected $264 per person in fiscal year 1983. However, local governments in the nation's wealthiest counties raised nearly $330 per person, whereas the poorest counties raised only $150 per person. These disparities are prevalent among governments serving both rural and urban areas. As shown in Chart 1, in the most rural counties, the lowest income communities required higher tax rates to finance public services than did their higher income neighbors. However, this higher tax effort yielded 36 percent less revenue to meet public service needs.

For highly urbanized counties, we compared the revenue-raising capacity between central cities and their suburbs for the 20 largest metropolitan areas. Chart 2 shows a suburban revenue-raising advantage for 18 of the 20 largest metropolitan areas. For example, Cleveland's suburbs can raise $1.58 for each tax dollar collected by the central city. At the other end, the suburbs of San Diego can raise only 98 cents per tax dollar collected by the city. With this background, I would like to turn to how fiscal disparities can be reduced.

TARGETING FUNDS REDUCES DISPARITIES

Targeting funds to lower income communities will reduce the disparities I have just described. Indeed, the more a given level of funding is targeted to low-income communities, the greater the reduction in disparities. In the same vein, greater targeting can achieve a given level of disparity reduction at lower cost.

Chart 3 shows the cost of disparity reduction based on three different targeting policies. Column 1 represents the most targeted fiscal assistance formula. It limits eligibility to communities with incomes below the state's average which includes about half the U.S. population. Column 2 represents a formula that provides funding for communities with incomes up to 125 percent of the state's average. This would include about 90 percent of the U.S. population. Column 3 represents the least targeted formula; it provides funding for communities with incomes up to 150 percent of the state's average. This approach picks up about 99 percent of the U.S. population.

To provide a basis for comparison, I would like to first note that the general revenue sharing program provided about a 15-percent reduction in disparities at a $4.6 billion funding level, as shown in Column 3.

Column 2 shows that the same 15-percent disparity reduction can be achieved with $2.4 billion, almost half the revenue sharing funding level, using a more targeted formula. Column 2 also shows that $4.7 billion--about the same funding level as revenue sharing--could double the disparity reduction to 30 percent using this more targeted formula.

Finally, I would like to point out that even greater targeting can substantially reduce the cost of disparity reduction. Column 1 shows that a highly targeted formula providing funds only for communities with income below the state average could reduce disparities by 25 percent with as little as a $1 billion investment.

As you can see from chart 3, if funding is targeted only to low-income communities, all of it contributes to reducing fiscal disparities. On the other hand, if some funding is also provided to high-income communities, funding for low-income areas must be increased that much more to achieve a given disparity reduction. This in turn raises the total cost of the program.

ADJUSTMENTS TO THE LOSS OF FEDERAL REVENUE SHARING

Mr. Chairman, you asked us what impact the loss of revenue sharing funds had on local governments. We have just started two reviews to determine what kinds of service changes and fiscal adjustments certain states and localities are making. A clear picture of actual state and local impacts will have to await completion of those efforts.

However, we do know that revenue sharing funds made up a larger portion of local government budgets in poorer communities than in wealthier jurisdictions. Therefore, poorer communities clearly face a more difficult adjustment to the loss of those funds.

Differences in the fiscal adjustments faced by county and city governments are illustrated in chart 4. Column 1 shows that counties whose average resident income is less than 75 percent of the states' average income would have to raise local taxes by 16 percent to fully replace lost revenue sharing funds, almost twice the national average of 8.3 percent. In contrast, the average tax increase required in the highest income group would be 4 percent, or about half the national average. Column 2 shows that the fiscal adjustment for cities would be somewhat less, but the pattern is similar.

Finally, Mr. Chairman, you asked whether we believe there is a need for a successor program to general revenue sharing for fiscally distressed local governments. While local governments serving low-income areas are at a marked fiscal disadvantage in financing public services, the Congress must weigh the need for such a program against other competing resource demands. If the Congress decides that such an effort represents an appropriate use of federal funds, we strongly believe that a program using a highly targeted formula can alleviate fiscal disparities at substantially lower cost than general revenue sharing.

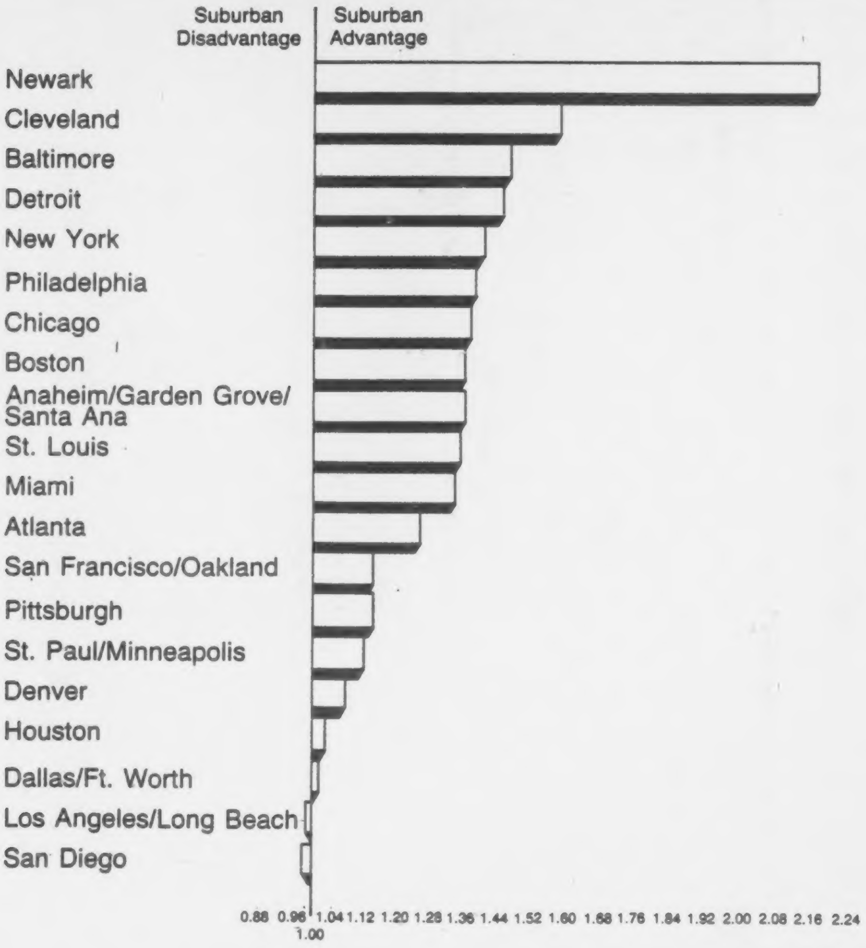
Mr. Chairman, this concludes my statement. I would be pleased to respond to questions.

GAO

Chart 1: Fiscal Disparities Among Local Governments In Rural Counties

	Taxes as a Percent of Income		Per Capita Tax Revenue
Lowest Income Counties	2.33%	→	$126
Highest Income Counties	2.14%	→	$197
Ratio of Lowest to Highest	+9%		−36%

GAO Chart 2: Fiscal Disparities Between Central City and Suburban Governments



GAO

Chart 3: Cost of Reducing Fiscal Disparities (Billions of Dollars)

	DISPARITY REDUCTION %	INCOME ELIGIBILITY STANDARD (STATE AVERAGE = 100)			
		100	125	150	
(1)	100	$3.9	$15.7	$30.6	
(2)	50	2.0	7.8	15.3	
(3)	30	1.2	$\boxed{4.7}$	9.2	
(4)	25	$\boxed{1.0}$	3.9	7.7	
(5)	20	0.8	3.1	6.1	
(6)	15	0.6	$\boxed{2.4}$	$\boxed{4.6}$	←GRS
(7)	10	0.4	1.6	3.1	
		(1)	(2)	(3)	

GAO

Chart 4: Increase in Taxes Necessary to Offset the Loss of Revenue Sharing

Percent of State Per Capita Income	Counties	Cities
75 or Less	16.2%	11.6%
90 or Less	12.6	9.2
100 or Less	10.6	7.2
More Than 100	6.4	6.2
More Than 110	5.6	5.4
More Than 125	4.1	4.2
U.S. Average	8.3	6.8

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

TESTIMONY
of
JOSEPH R. WRIGHT
DEPUTY DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET
before the
THE SENATE SUBCOMMITTEE ON GOVERNMENT EFFICIENCY,
FEDERALISM, AND THE DISTRICT OF COLUMBIA
JUNE 24, 1987

Mr. Chairman and members of the Subcommittee: I would like to express my thanks for the opportunity to discuss the termination of the General Revenue Sharing program and its impact on local governments.

Let me summarize my remarks briefly: General Revenue Sharing was created to address certain problems of the 1960's and 1970's during a period when the Federal finances were believed to be healthier than those of States and localities. Regardless of how well the program actually worked, and there certainly is no agreement on that point, conditions have changed. When it was clear that the fiscal health of States and localities had improved while that of the Federal government had declined, that persistent Federal deficits had limited what the Federal government could do and that other Federal activities, including grants to States and localities, had a higher claim to resources, the program was allowed to expire. Those latter conditions have not changed.

Although some local governments are experiencing fiscal problems, it is unlikely that their problems stem solely or even mainly from the loss of Revenue Sharing, and most State and local governments are generally benefitting from our growing economy, although, as always, some parts of the country are not keeping pace. In Nebraska, for example, a State experiencing the problems of a troubled agricultural sector, Revenue Sharing in 1985 financed only 0.8 percent of total expenditures of local governments. In Texas, another State experiencing fiscal problems, Revenue Sharing financed 1.0 percent of total expenditures. For both States, Revenue Sharing was about 3.0 percent of total local taxes. Given the relatively small share Revenue Sharing is of total expenditures and local taxes, it would be difficult to blame Revenue Sharing for the fiscal woes being experienced by local governments in those States.

The Revenue Sharing program was enacted in 1972 and allowed to expire at the end of 1986. During that period it channeled more than $80 billion to about 39,000 State and local governments. I understand that it was a program espoused by conservatives, who hoped to use it as a vehicle to halt the growth of categorical assistance programs that were narrowly defined and offered limited financial flexibility such as the housing, transportation, education, and other grants that enjoyed explosive growth during the 1960's. But, it also appealed to others, who saw that the revenue base of the Federal government was more robust and efficient than that of States and localities, and who believed that using Federal revenues to finance States and local activities would be more equitable.

General Revenue Sharing was originally intended to target its payments to fiscally distressed communities--to help them provide goods and services to their citizens. However, from the beginning to its end, the program was unable to limit aid to governments most in need.

There is considerable evidence that the program had a minimal effect in reducing "fiscal disparities" among the vast majority of local governments (see Figure 1). To target funds to the 1,859 lowest income communities in 1983 (communities with average per capita incomes less than half the national average), for example, meant that we had to give funds to 36,954 higher income communities--including wealthy communities like Beverly Hills, West Palm Beach, and Vail. In fact, the distributive effects of the program were erratic during the same year:

- During 1983, virtually every community in Alaska (the State with the highest per capita income) received a higher per capita Revenue Sharing grant than Mississippi, the poorest State.
- In that same year, the ten wealthiest States received about 25 percent of Revenue Sharing funding whereas the ten poorest States received less than 12 percent.

The General Accounting Office found in a 1986 study that the Revenue Sharing program was only moderately effective at targeting funds to low-income communities. The study notes that:

- "Without Revenue Sharing, the highest income communities have a 2-to-1 revenue raising advantage over their lowest income counterparts . . . . [with Revenue Sharing] the revenue disparity between the highest and lowest income areas is reduced by 14.7 percent."

- ". . . the formulas used to distribute general Revenue Sharing aid to local government reduce revenue disparities by a relatively modest amount."

Numerous attempts to straighten out the distribution formula over the life of the program invariably failed as soon as it was known which cities would gain or lose under any proposed formula.

Since the Revenue Sharing program was originally enacted, the fiscal health of State and local governments has improved. During the 1970's and to the present, State and local government revenues have grown more rapidly than those of the Federal government, indicating a shift in the balance of fiscal capacity. Between 1970 and 1986 Federal revenues, adjusted to exclude social insurance contributions, grew by 249 percent. By comparison, State and local government revenues, adjusted to exclude social insurance contributions and Federal aid, grew by 357 percent. During the 1980's, State and local governments have assumed greater responsibility for their own fiscal affairs, since they have not expected a resumption of the heavy Federal involvement in their finances that prevailed during the 1960's and 1970's. Between 1980 and 1986, for example, the Bureau of Economic analysis reports that total State and local government receipts increased by $230.9 billion. Federal aid provided only $16.9 billion, or seven percent of that increase. By comparison, Federal aid provided nearly 25 percent of the sector's increase in receipts between 1950 and 1980 (see Figure 2).

The much smaller role played by Federal aid seems to have had little effect on the total expenditures of the State and local sector (see Figure 3). Throughout the period, Revenue Sharing steadily declined in importance from its creation since its level of funding was fixed. Clearly, this indicates the emergence of a sector that is becoming less dependent on the Federal government for financial assistance.

Local governments have run a modest surplus each year except during the 1975 and 1980 recessions (see Figure 4). In fact, the State and local sector realized a $19 billion surplus in 1984 (excluding the social insurance funds surplus), and although this surplus declined to $7.2 billion by 1986, it still is higher than the average surplus of $6.0 billion since 1980. This is reported to reflect the changing emphasis of local tax systems over the period from the more rigid and regressive property tax to the other sources such as sales and income taxes, and fees and charges. In 1970, for example, property taxes were 70 percent of total local own-source revenues (total revenues less intergovernmental aid). Because of greater use of alternative revenue sources, this share has fallen to about 50 percent today.

The Federal government, on the other hand, with a cumulative deficit of more than $2.0 trillion and an annual interest expense this year of about $138 billion, clearly, no longer has revenues to share. Given this current fiscal environment and other pressing needs, it was considered impossible to continue the Revenue Sharing program.

This is not to say that we believe that State and local governments are now able to go it alone. Federal aid to State and local governments in 1986 was $112 billion and most of it targets funds towards the highest Federal priorities. For example, the three largest Federal grant programs in FY 1986 were Medicaid ($25 billion), Highways ($14 billion), and AFDC ($10 billion). The total aid level is proposed to be $106 billion this year.

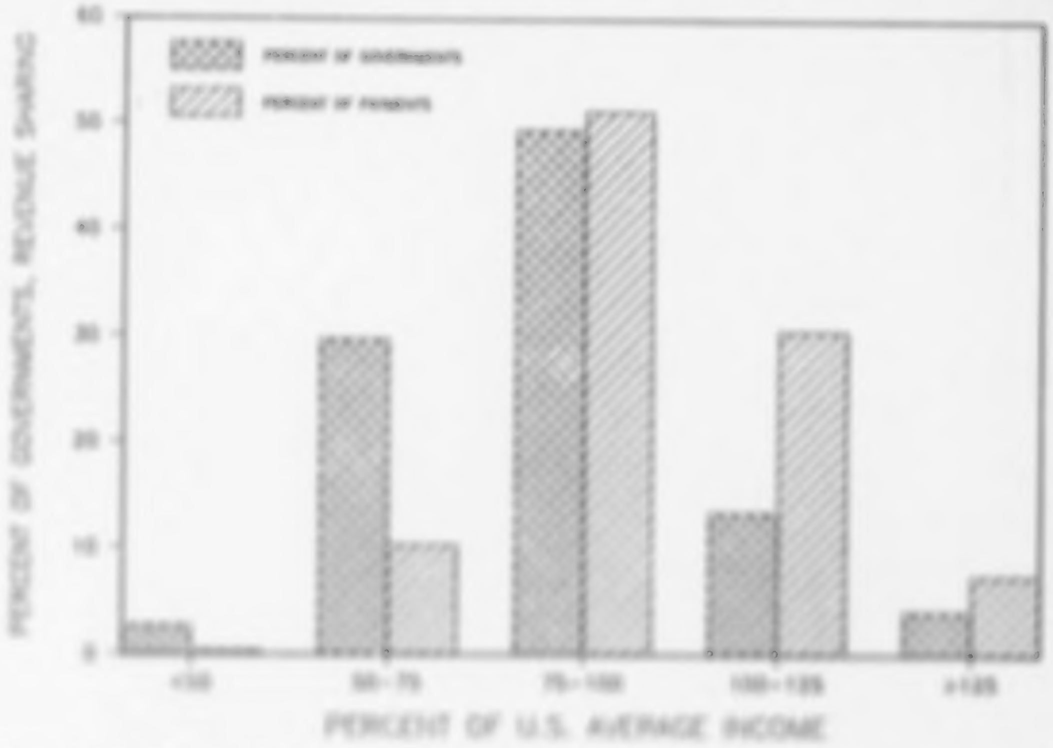
I also was asked to discuss the Administration's position with regard to the sequestration under Gramm-Rudman-Hollings of 1986 General Revenue Sharing Funds. At issue is about $180 million, sequestered by Treasury and returned to the general fund due to the termination of the program. This is a matter for the court to decide and I would prefer not to speculate on its outcome.

In general, the Administration has no plans to support a replacement program or any variant of the Revenue Sharing program. Nor have we undertaken a study of the fiscal condition of localities in the aftermath of termination. At the very least, it's too soon. The program's only been gone for nine months, and localities have barely had time to respond. Any complete study should provide adequate time to allow governments to adjust their finances without interference and without the paralyzing expectation that the Federal government will bail them out.

While we are not planning to conduct a study of our own, we are interested in the results of the 1986 study done by the General Accounting Office. This work has useful implications in other program areas. For example, we have asked HUD to look at how it targets Community Development Block Grant Program monies to fiscally distressed areas. By finding ways to improve the targeting of grant funds, we can do more to help fiscally distressed communities than by creating yet another Federal grant program.

FIGURE 1

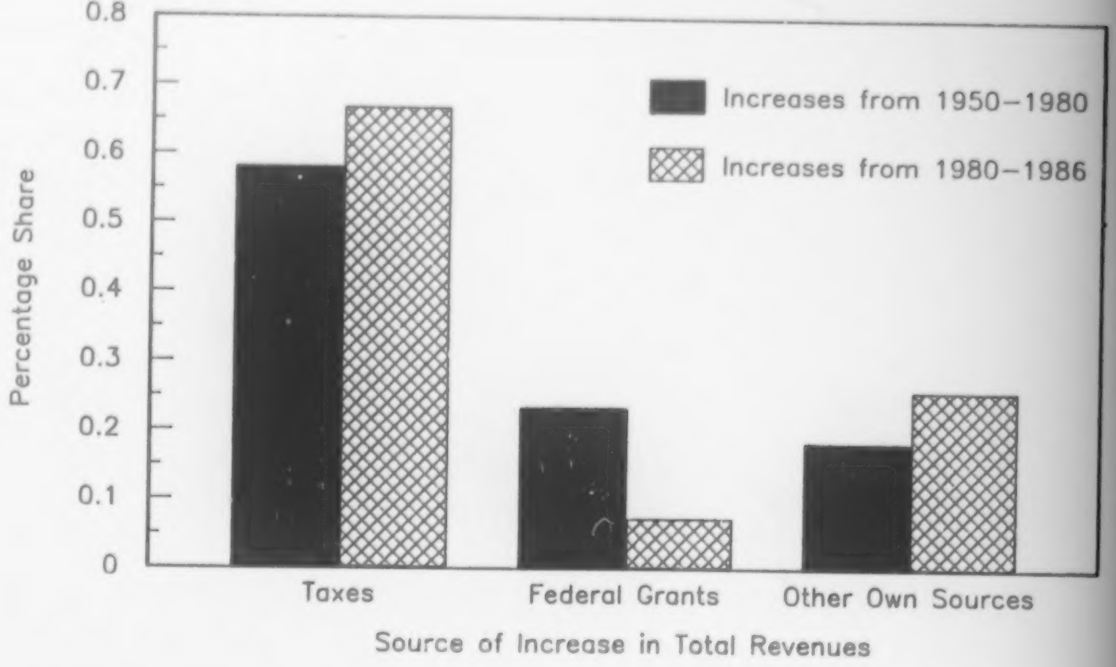
TARGETING OF GENERAL REVENUE SHARING



Source: Treasury Department, based on 1983 data.

FIGURE 2

SOURCES OF INCREASE OF TOTAL STATE AND LOC
GOVERNMENT REVENUES FROM 1950 TO 1986



Source: Bureau of Economic Analysis

FIGURE 3

STATE AND LOCAL GOVERNMENT EXPENDITUR
AND FEDERAL GRANTS–IN–AID, 1980 – 198

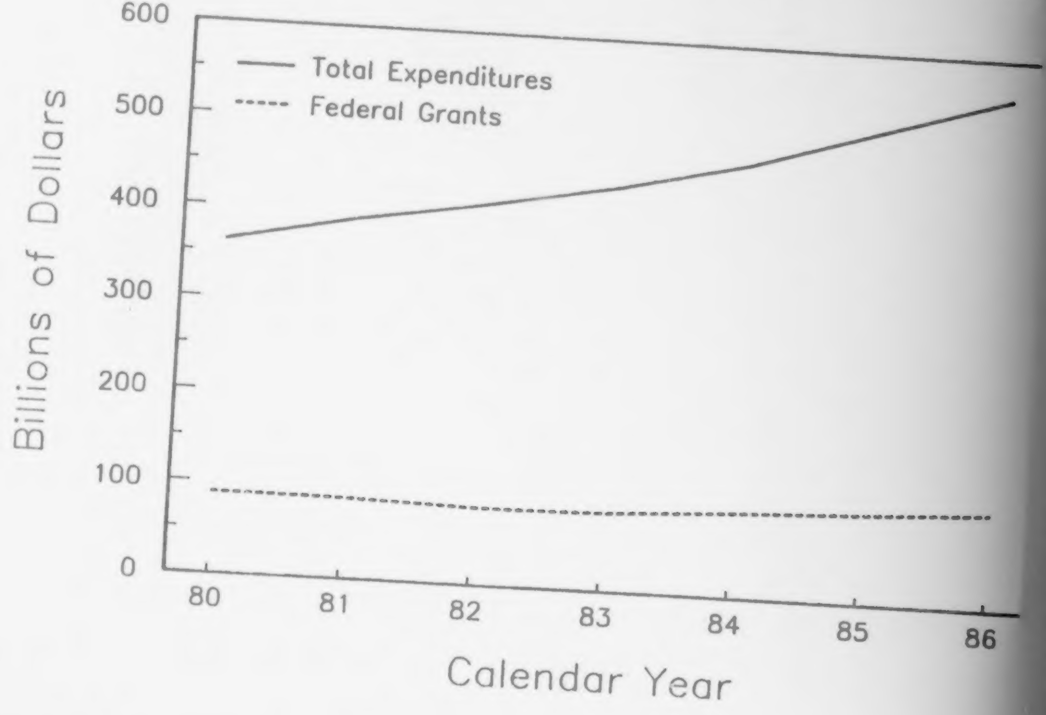
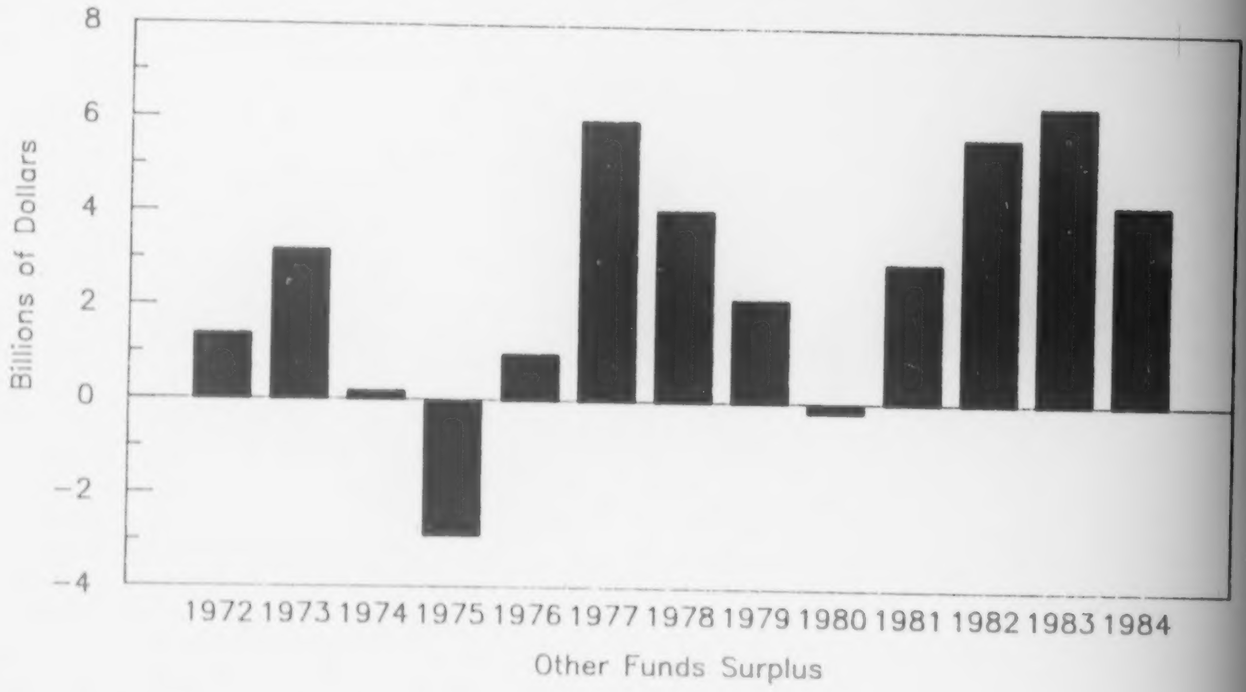


FIGURE 4
LOCAL GOVERNMENT SURPLUSES, 1972 - 1984



Source: Bureau of Economic Analysis

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

JUL 1 1987

The Honorable James R. Sasser
Chairman
Subcommittee on Government Efficiency,
Federalism, and the District of Columbia
United States Senate
Washington, D.C. 20510-6250

Dear Mr. Chairman:

Enclosed is the additional material you requested for the record, in connection with my testimony on June 24, 1986. Please let me know if I can be of further assistance.

Sincerely,

Joseph R. Wright
Deputy Director

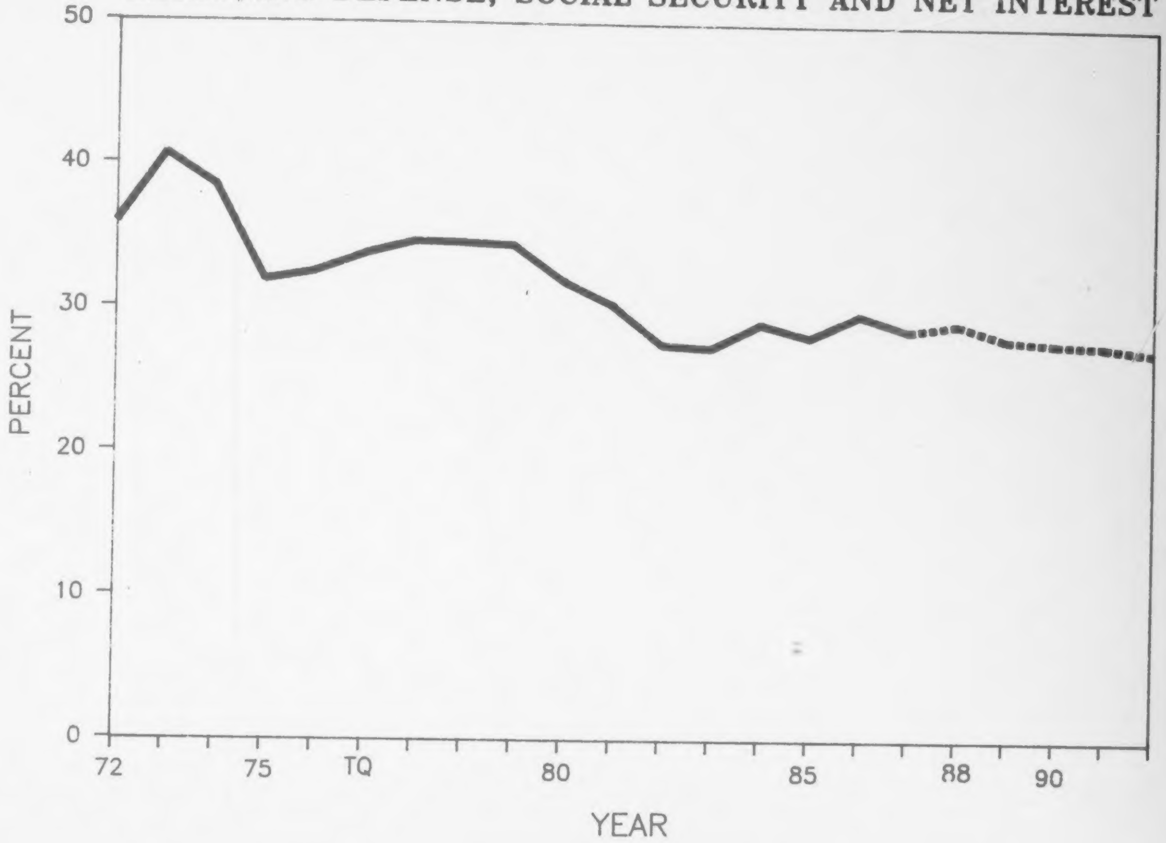
Enclosure

YEAR	GRANTS-IN-AID (BILLIONS OF 1982 DOLLARS)
1972	77.2
1973	88.9
1974	84.6
1975	97.1
1976	96.2
TQ	25.1
1977	103.6
1978	109.7
1979	106.7
1980	105.9
1981	100.7
1982	88.2
1983	88.8
1984	90.2
1985	93.7
1986	96.4

The constant 1982 dollar value of Federal grants-in-aid grew steadily after 1974, peaking during the second fiscal year of the Carter administration. It then declined steadily until the second fiscal year of the Reagan Administration, after which it again grew until 1986. Reductions are proposed for 1987 and beyond.

Other sectors experienced declines as well, and there is a question as to whether State and local governments suffered disproportionately. Another way of looking at this is to ask how well State and local government grants-in-aid did compared to outlays on all programs other than those to which the President is firmly committed, i.e., Defense and Social Security, and net interest payments, which are not subject to change. If we net these items from total outlays, as is done in the figure below, we see that the share of grants, after declining during the 1970's, stabilized during the Reagan years. Although the real value of grants declined, grants-in-aid definitely held their own against competing claims to Federal resources during the Reagan years, and the burden of expenditure reductions did not fall disproportionately on State and local governments.

GRANTS–IN–AID TO STATES AND LOCALITIES AS A SHARE OF OUTLAYS EXCLUDING DEFENSE, SOCIAL SECURITY AND NET INTEREST



ADVISORY
COMMISSION ON INTERGOVERNMENTAL RELATIONS
WASHINGTON. D.C. 20575

Testimony of the
Advisory Commission on Intergovernmental Relations on the Impact on Local Governments of the Loss of General Revenue Sharing

Presented by

John Shannon, Executive Director
Advisory Commission on Intergovernmental Relations

at a Hearing of the
United State Senate
Subcommittee on Governmental Efficiency,
Federalism, and the District of Columbia

June 24, 1987

Mr. Chairman:

My name is John Shannon and I am Executive Director of the Advisory Commission on Intergovernmental Relations. We at the Commission appreciate this opportunity to participate in your investigation of a timely intergovernmental issue.

In your letter of invitation you asked several questions concerning the impact on local governments of the loss of General Revenue Sharing. In my testimony this morning, I shall attempt to be responsive to those questions.

I. "What has been the policy stance over the years of the Advisory Commission on Intergovernment Relations with regard to the need for a General Revenue Sharing program?" The Advisory Commission on Intergovernmental Relations (ACIR) has had a longstanding record of support for the General Revenue Sharing program. In fact, the ACIR first placed its seal of good housekeeping on the Revenue Sharing concept way back in 1967--five years before the program was enacted. The point must be emphasized, however, that in those days all of our 50 state-local systems were viewed as "have nots" in relation to the affluent federal government. Now the existence of massive federal budget deficits serves as a convenient--albeit a credible excuse--for killing off the General Revenue Sharing program.

II. "Isn't there a very useful role for unconditional fiscal assistance programs in an overall federal aid program?" There are at least three justifications for unconditional federal aid to states and localities:

A. to reduce fiscal disparities between the "have" and "have not" jurisdictions,

B. to compensate local governments for tax-exempt federal property, and

C. to compensate state and local governments for expenditures mandated by the Congress.

III. "How well are local governments coping with the loss of General Revenue Sharing? Have local governments had to raise taxes or cut basic services as a result of the loss of General Revenue Sharing? How have local governments, especially those with high unemployment rates and low tax bases, been faring as a result of the loss of General Revenue Sharing?" My response to the above questions is based on information obtained from a recent NACo survey of local governments, discussions with knowledgeable individuals, and several recent articles that provide anecdotal information on this matter. To obtain direct and current information from knowledgeable sources, we also conducted a telephone survey of 22 state advisory commissions on intergovernmental relations.

Based on these inquiries, local governments fall into one of three categories.

A. The affluent (perhaps 20% of all local governments) appear virtually unaffected by the demise of GRS. The natural growth in their revenues will replace the dollars that no longer flow from Washington.

B. The second and largest group of localities appears able to adjust to the loss of GRS support with marginal changes in their budget policies. The natural growth in their revenues should help these jurisdictions absorb most of the shock created by the loss of GRS funds. Thus, with modest tax increases or expenditure cutbacks or both, jurisdictions in this second category should be able to deal with this revenue loss problem.

C. The third group (perhaps 20% of all jurisdictions) can be classified as the "have not" governments--jurisdictions hardest hit by the loss of GRS funds. These governments will be forced to make major budgetary changes--substantial tax increases or severe expenditure reductions or both. In this category will be found certain urban basket cases such as East St. Louis and many small and rural governments. A good share of these governments are located in Appalachia, the South, the Southwest and the Midwest. These jurisdictions have anemic revenue bases and relied on GRS to provide a substantial part of their funding.[1]

IV. "Have State governments been able to pick up the slack with regard to the loss of General Revenue Sharing? Have new State-based revenue sharing programs been enacted that are effective replacements for the General Revenue Sharing program?"

---

[1] ACIR Staff Information Report, The Agricultural Recession: Its Impact on the Finances of State and Local Governments, June 1986, p. 2.

While it is still too early to make a hard judgment on the state response, preliminary information indicates that only a few states have used their dollars to offset the loss of Federal Revenue Sharing dollars.

- o Massachusetts has come up with a program that is reputed to offset the loss of GRS with state payments ranging from 90 cents on the dollar for the poorest localities to 10 cents on the dollar for the most affluent local jurisdictions.
- o Connecticut has enacted a Revenue Sharing program which offsets about $20 million of the $54-million GRS loss. Connecticut also enacted a $4[illegible]-million property tax relief measure to help cushion, albeit indirectly, the loss of General Revenue Sharing funds.

Over the next few years, the loss of Federal Revenue Sharing funds will probably prompt a few more states to provide more aid to the losers in the system--those local jurisdictions with the weakest revenue resources. It will also place more pressure on the states to grant localities greater authority to raise revenue.

V. "Will various constitutional and statutory limits on state taxing and spending preclude state governments from enacting state-based revenue sharing programs?" In my estimation, few if any states can plead that they are effectively barred by constitutional or statutory limitations from providing more help to local governments. Most states are not butting up against tax lids and the few that might hit their tax limits are always in a position to change their budgetary priorities.

SUMMARY

The death of the Federal Revenue Sharing program also signals the emergence of fend-for-yourself federalism--a development with both positive virtues and negative characteristics. On the positive side, it enhances local self-reliance and encourages local initiatives. On the negative side, it increases the fiscal gap between the "haves" and the "have nots." In the words of a popular song of a few decades back, the task of federal and state leaders will hopefully be that of charting policies that "accentuate the positive and eliminate the negative."

80 ACIR

APPENDIX TABLE 1

LOCAL GOVERNMENT DEPENDENCY INDEX,* SELECTED FISCAL YEARS 1962–85

Type of Government	1985	1984	1983	1982	1981	1980	1978	1972	1962
				Federal and State Aid* Per $1 of Own Source General Revenue					
All Local Governments	$0.64	$0.64	$0.67	$0.71	$0.76	$0.79	$0.76	$0.73	$0.44
Counties	.59	.61	.65	.70	.77	.81	.80	.78	.45
Cities	.42	.43	.46	.50	.53	.56	.62	.63	.26
Townships	.38	.39	.40	.41	.40	.39	.41	.40	.28
School Districts	1.16	1.14	1.13	1.15	1.23	1.25	1.01	.84	.43
Special Districts	.32	.34	.36	.39	.47	.42	.44	.42	.13
				Federal Aid* Per $1 of Own Source General Revenue					
All Local Governments	$0.10	$0.11	$0.12	$0.13	$0.15	$0.16	$0.18	$0.13	$0.03
Counties	.09	.08	.09	.11	.14	.17	.19	.13	.01
Cities	.13	.15	.15	.18	.21	.23	.26	.19	.05
Townships	.07	.08	.09	.08	.09	.10	.13	.09	.01
School Districts	.02	.02	.02	.02	.03	.03	.04	.03	.02
Special Districts	.23	.26	.27	.29	.37	.33	.34	.28	.11
				State Aid* Per $1 of Own Source General Revenue					
All Local Governments	$0.54	$0.54	$0.55	$0.58	$0.61	$0.63	$0.58	$0.60	$0.41
Counties	.51	.52	.53	.59	.63	.64	.61	.65	.39
Cities	.29	.29	.31	.32	.32	.33	.37	.42	.21
Townships	.31	.31	.32	.33	.31	.29	.28	.31	.27
School Districts	1.14	1.12	1.11	1.13	1.20	1.22	.97	.80	.43
Special Districts	.08	.09	.08	.10	.10	.09	.10	.14	.04

*Intergovernmental revenue from state and/or federal governments. Interpretation: A figure of $.50 means that for each $1.00 raised locally, $.50 is received from the federal and/or state governments.

Source: ACIR staff computations based upon U.S. Bureau of the Census, *Census of Governments*, Vol. IV, 1962, and *Governmental Finances in [year]*, (Table 2 in 1984–85 edition).

ADVISORY
COMMISSION ON INTERGOVERNMENTAL RELATIONS
WASHINGTON D.C. 20575

Highlights of a Telephone Survey of State ACIR Counterpart Agencies

1. OHIO: Cleveland has lost $72 million, resulting in vast reductions of funds applied to street refuse, park and recreation maintenance, safety equipment, and health and mental health facilities. Townships have suffered disproportionate losses because of their dependence on revenue sharing to maintain roads and bridges. (capital expenditures)

2. PENNSYLVANIA: For many small towns, GRS represented 10-15% of their total budgets. Charles Griffiths, Executive Director of the Pennsylvania Intergovernmental Council, described this loss as "a severe blow to already fiscally distressed counties whose only resource is the property tax."

3. TENNESSEE: Counties earmarked up to 80% of Federal revenue grants for education. One locality, Hawkins County, has been forced to obligate teachers to also assume custodial staff duties; the county could not afford custodial support.

4. TEXAS AND OKLAHOMA: These states lost GRS in the midst of an already severe financial crisis. The Texas Municipal League found that: 1) over 50% of cities raised user fees in water and sewage areas 2) 45% raised property taxes 3) 23% imposed wage freezes 4) 33% imposed hiring freezes, prompting Fred Stovall, Assistant Director of the Texas Municipal League to comment: "The loss of GRS couldn't have come at a worse time for us."

Oklahoma: Several small towns have lost their law enforcement; funding had been entirely GRS supported. Several localities are on the verge of bankruptcy in the face of a decreased sales tax.

5. LOUISIANA: According to Jim Percy, Assistant Executive Director of the Louisiana Municipal Association, the state government is presently $200 million in debt and cannot afford to compensate for the loss of GRS funds. The Louisiana Municipal Association conducted a survey that found:

> 91% of municipalities were affected by the loss of federal and state funds.
> 48% of municipalities consequently laid off or terminated employment.
> 37% eliminated overtime pay.
> 39% reduced services in the areas of police, fire, street maintenance, trash, and parks and recreation.
> 70% report an inability to purchase items such as police cars, fire trucks and water system equipment.

Percy remarked that there no other studies because, "They can't afford studies."

6. MAINE: The Speaker's Select Committee on Property Tax Reform found in December 1986 that the loss of GRS funds, among other cuts, contributed to an 18-22% increase in property taxes. The city of Rockland, due to a tax cap, has been forced to use outside sources of revenue, such as GRS, for their operating costs.

7. MICHIGAN: Bud Brokaw, Director of Administrative Services in Meridian County said municipalities on "shoestring budgets" have been virtually devastated. His county, for example, does not meet the required staffing levels for police and fire protection.

8. NEW JERSEY: The overall result of a loss of GRS funds was a reduction in programs and an increase in property taxes. According to the State League of Municipalities, 92.5% of municipalities would adjust for the loss of GRS funds by increasing property taxes. The New Jersey Legislature has passed the Distressed Cities Program to help offset the loss of GRS ($70 million in Sept. 1986).

9. FLORIDA: According to a Florida ACIR study in 1985, GRS comprised 5% of total expendable revenue for the counties and 4.5% of the total expendable revenue for the cities. In the counties, 78% of the funds were used for operating costs. In the cities, 69% of the funds were used for operating costs. Areas that were frequently cut to compensate for the loss of GRS funds were: roads, police, health, hospitals, and parks and recreation.

10. MARYLAND: GRS funds comprised 1.4% of total county revenue and 2.3% of total city revenue. Most local governments were not concerned with the loss of GRS because they viewed the program as temporary.

11. CONNECTICUT: In order to compensate for the loss of GRS funds, Connecticut cities will have to increase taxes by 7% across the board, according to the Connecticut Conference of Municipalities. The city of Hartford, for example, lost $3.4 million in GRS funds.

12. SOUTH CAROLINA: The South Carolina ACIR has analyzed how much property tax a locality would have to raise to replace GRS loss. A marked disparity between small towns (pop. less than 1,000) showed a 108.9% increase; localities over 25,000 required a 28% property tax increase to offset the GRS loss.

DATE: June 24, 1987

AFSCME®

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TESTIMONY OF

GERALD W. McENTEE, PRESIDENT
AMERICAN FEDERATION OF STATE,
COUNTY AND MUNICIPAL EMPLOYEES

BEFORE THE

U.S. SENATE
SUBCOMMITTEE ON GOVERNMENTAL EFFICIENCY,
FEDERALISM AND THE DISTRICT OF COLUMBIA

ON

THE IMPACT OF THE LOSS OF REVENUE SHARING

JUNE 25, 1987

Mr. Chairman, my name is Gerald McEntee and I am President of the American Federation of State, County and Municipal Employees.

Mr. Chairman, on behalf of our union, I would like to thank you and Senator Heinz for the concern and interest you have shown for the well-being of state and local governments. That concern is evidenced by this timely hearing and has been proven time and time again by the support you and Senator Heinz have given to full funding of general revenue sharing and the Community Development Block Grant program. Your efforts in this area may not have always been successful, but on behalf of our union, I want to let you know that those efforts have been greatly appreciated.

Mr. Chairman, it is my understanding that the Subcommittee will hear from local government officials who have experienced first hand the loss of vital services caused by the elimination of revenue sharing. Many members of our union have shared this experience. Some have lost their jobs. More have seen their jobs made difficult, if not impossible, by a lack of resources or by the increased caseloads or workloads caused by the layoffs of others. However, rather than add to the horror stories that these local public officials will detail, I would like to use the few minutes allotted to me to give an overview of why this nation continues to need a revenue sharing program, and why we must enact a targeted fiscal program to make sure that depressed communities can maintain the most vital of services.

Mr. Chairman, our union believes that a federal revenue sharing program is a permanent necessity in our complex technological society. Revenue sharing has been made necessary by our particular form of federalism which places the responsibility for the most crucial and vital services ranging from the purity of our water to the maintenance of our sewer systems, to the cleanliness of our streets, to police and fire protection, to education, on state and local governments. We all support this type of federalism because we believe that individual communities can best administer these services in a way that meets their unique needs. However, state and local governments, because of a perception that increased taxes will result in the out-migration of industry and economic activity to other jurisdictions, have never developed the broad tax base that is needed to adequately fund these services.

For most of our history, this mismatch of responsibilities and resources was not a critical problem. State and local governments could muddle through when education meant providing a teacher and primer and didn't require laboratories and computers, when a sewage system terminated at the nearest body of water and didn't require waste water treatment plants that cost hundreds of millions of dollars, and when the prison population was a small fraction of what it is today.

For better or worse, those days are gone. The era when the local property tax and the state sales tax could pay for an adequate level of services past decades ago. That is why in the nineteen seventies, under a conservative Republican President, the federal government expanded aid to states and localities.

I repeat this bit of history to remind us that increased aid to state and local governments did not come about as a result of a liberal binge of federal generosity, and that revenue sharing was developed as a bipartisan, conservative and prudent response to very real needs. Those needs have not disappeared; by any measure they have increased and intensified.

Competitiveness is the new buzzword in Washington. We are all alarmed by the record trade deficit. We all know that the nation must improve its productivity if we are to maintain the American standard of living for our children. We also know that a well-educated workforce and a sound public infrastructure are absolutely necessary if we are to compete with our trading partners. Yet we seem to forget that over 90 percent of the funding for elementary and secondary education comes from state and local government funds as does two-thirds of public works expenditures.

State and local governments cannot provide quality education to our children and maintain its infrastructure without federal assistance. Congress may have stopped funding revenue sharing, but it has not stopped the need for a literate workforce with math and computer skills to run our complex industry.

It is now a standard part of almost every politicians speech to decry the trillions of dollars of federal debt that we are passing on to the next generation. However, what is worse than the debt that we are passing on to our children is our failure to adequately prepare them to compete economically. As we all know, debts can be paid off so long as income is being produced. However, the smallest debt becomes an enormous burden when few people want to buy the products of our labor. The current Administration, by reducing real aid to state and local governments by one-third, has laid the seeds for a substantial decline in the American standard of living.

Eventually we will have to reestablish revenue sharing programs to upgrade our education system and to deal with the problems caused by deferred maintenance and abandoned services. However, the current political atmosphere and the federal budget deficits make it very unlikely that a general revenue sharing program will be reestablished in the near future. However, we believe it is incumbent that Congress at least provide assistance to economically depressed communities that cannot provide basic services now that revenue sharing has been terminated.

Mr. Chairman, there are hundreds of such communities. As we all know, the recovery has been a very uneven one, with very difficult effects on different regions of the country. While Wall Street has boomed, many businesses on the main streets of steel towns, farm communities and mining and drilling centers have gone bust. Property values have plummeted in these communities and they have been forced to retrench and retrench.

Many communities in our country no longer have the most basic services. Along Route 52, which stretches the width of southern West Virginia, there is hardly a town that hasn't turned off or turned down their street lights because they cannot meet their electricity bill. In these communities, school budgets have been pared to the minimum and road repairs halted. How are these communities which suffer unemployment rates of 40 percent going to attract any industry if they cannot provide the most basic of services? Without federal aid these communities are most likely doomed.

There are some in Washington who believe the federal government is only responsible for Social Security and national defense. To defend this untenable and reactionary point of view, they have created a myth that the states are capable of financing all the public services needed by a modern society. They claim that the states are fat with surpluses and the windfall produced by last year's tax reform will solve the fiscal problems of state and local governments. The facts cannot be further from the truth.

Any objective analysis of state government budgets will reveal that they are in an extremely precarious fiscal condition and are not very likely to shoulder the burden of helping depressed communities pay for essential services. Let me cite a few statistics. According to the latest Fiscal Survey of the States, published by the National Governors Association and the

National Association of State Budget Officers, state balances at the end of Fiscal Year 1987 are anticipated to be a dangerously low 0.8 percent of expenditures. This is the lowest they have been since the studies began in 1978 and far below the five percent reserves advocated by bond rating firms.

These paltry state balances follow a period of substantial austerity at the state level. During Fiscal Year 1986, 18 states enacted cuts in previously approved budgets due to lower than expected revenues -- an exceedingly high number for a non-recession year. By March of this year, 23 states have been forced to cut their enacted FY 1987 budgets. By comparison, in 1982, when the country was in the throes of the worst recession since the Great Depression, only 23 states cut their enacted budgets.

It should also be pointed out that these cuts were not minor trimmings. Eight of the states had to cut their budgets oy over five percent. Nor did these cuts come from inflated budgets. For FY 1987, 22 states passed budgets which were lower in real terms than the prior years' budgets.

While similar up-to-date comprehensive information is not available for local governments, it is clear that their fiscal condition is as bad or worse than the states. One clue is that Data Resources Inc. (DRI), in its recently released figures, estimates that the combined state and local sector ran a $5.7 billion annualized deficit for the first quarter of 1987. This deficit is larger than it has been in any quarter in the 1980s.

The DRI figures confirm wha we all know. The same economic problems that have hurt state bugets have affected the property tax on which most local governmets rely. For instance, farm values in Wisconsin dropped 23 prcent during calendar year 1985, resulting in a two percent overal decline in the state's property tax base on which 1987 axes are collected. Local governments in states such as Teas, Louisiana and Montana which rely on severance taxes, are clerly feeling the bite. Severance tax revenues dropped nationally by $2.6 million, or nearly 40 percent from 1985.

The loss of federal general revenue sharing at this time has been a particularly onerous burda for local governments. The $4.6 billion in lost funding for local services cannot possibly be absorbed by localities in ares with tax bases devastated by economic problems. It is little wonder that 36 percent of the local government officials surveyed by the National League of Cities said that current services could not be maintained without a tax increase. The same survey found that 37 percent of the city officials said they had raisd taxes in the last year and 57 percent had increased fees and oter changes. An even more recent study by the National Assoiation of Counties revealed that 47 percent of the counties srveyed increased property tax rates during the last year. The ame study also reports that 47 percent of the counties surveyed eported a decrease in state aid during the past two years.

As for the touted "windfall" from tax reform that was suppose to solve the fiscal problems of state and local governments, it is now clear that the maximum potential "windfall" was greatly exaggerated and that most of the potential revenues have been squandered by state legislators and Governors who followed the federal example of "revenue neutrality" in dealing with tax reform.

Earlier this year our economists estimated that if every state that levies an income tax were to update their personal income tax codes to fully conform with the new federal law, the total "windfall" gain after all base broadening provisions are fully phased in would be approximately $5.1 billion (in 1986 dollars). Nearly $2.1 billion of that total, however, would occur in California and New York, two states that have suffered relatively little from the regional recessions that have plagued our country. For the rest of the country, which includes all the most severely distressed states, the entire "windfall" could have, at best, amounted to $3 billion.

This $3 billion maximum potential windfall is only slightly more than the $2.4 billion that has been cut from state budgets in the last nine months. It is only slightly more than the $2.6 billion that state and local governments have lost in severance tax revenues alone in the past year. It is less than the $3.6 billion in general revenue sharing funds lost in states other than New York and California. And if it is compared to the $13 billion rants-in-aid to state and local governmed1 and 1986, its inadequacy becomes very cle.

Howited potential windfall from the tax reform d Intense political pressure applied by state:s exploiting misplaced fears about projectiss climates, has forced all states except t'e fiscal straits to return the windfall Even in West Virginia where some communit. have turned off their street lights and wher the state university almost closed down bis: early this year because of budget cuts cavenues, the entire windfall was passed through :yers.

I hvidence to make the point that states are not :ave they shown any inclination, to help dis. If these communities are to be helped, :deral effort.

Mr.,e the targeted fiscal assistance program Heinz have been working on is an effectivmunities can be helped. If properly targeted have a minimal impact on the deficit and a suthe quality of life and the future economied communities.

We :ted fiscal assistance program should heavily on indicators of need, whether they be per capita income or poverty or unemployment rates. We also would like to see tax effort used as one factor in determining allocations under the program. Tax effort was used in the general revenue sharing formula. We believe it serves the valid purpose of encouraging states and localities to do the most they can with their tax bases.

Mr. Chairman, finally I want to let you know that the enactment of a targeted fiscal assistance program is one of the highest priorities of our union. We are prepared to vigorously support such a program and look forward to working with you on legislation which will restore necessary services to America's depressed communities.

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TESTIMONY OF

MAYOR ARTHUR J. HOLLAND

MAYOR OF TRENTON, NJ

VICE PRESIDENT, U.S. CONFERENCE OF MAYORS

MEMBER, NATIONAL LEAGUE OF CITIES' ADVISORY COUNCIL

Before the

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS

U.S. SENATE

===

June 25, 1987

Mr. Chairman, thank you for this opportunity for the U.S. Conference of Mayors and the National League of Cities to testify today on an extremely important subject, the impact of the loss of revenue sharing and the need for a new program of fiscal assistance to help needy local governments.

The revenue sharing program, which terminated at the end of last year, was a very important source of flexible funding for local governments. Most cities invested these funds in job-producing infrastructure and service programs. Many cities also used revenue sharing funds to comply with some of the many mandates imposed on local governments by the federal government. Some of these requirements have been very difficult and costly for cities to meet, including clean air, clean water, and environmental mandates, the myriad of requirements associated with housing programs, the red tape involved in applying for and receiving many federal grants-in-aid, and the growing multiplicity of restrictions on the issuance of tax-exempt bonds. Yet, at the same time that we are confronted with a growing number of federal mandates, we have fewer resources available to meet them.

Over the past two years, the Conference of Mayors and the National League of Cities have conducted several surveys of cities to analyze the impact of the loss of revenue sharing funds.

The Conference of Mayors is currently conducting an up-to-date study of the impact of the loss of revenue sharing funds and the costly effects of federal mandates. Our study of revenue sharing conducted last year, concluded that tax increases and service cuts would be the inevitable results of the loss of revenue sharing funds. This is what has happened in cities across the country.

According to a just completed National League of Cities survey of city fiscal conditions, cities are facing a deterioration in municipal fiscal conditions and the loss of general revenue sharing is a major factor. Based on the responses of the nation's top 25 cities, most cities are facing up to their responsibilities to their citizens by cutting services and postponing capital investments.

The loss of general revenue sharing marked a 24 percent reduction in direct federal aid to municipal governments. For smaller communities, revenue sharing was the only form of ongoing federal support they ever saw. The alarming statistics do not tell the complete story since the impact of the loss of revenue sharing depends on the local fiscal year and in many cases is not reflected in the data the National League of Cities received. Over two-thirds of the survey group received some revenue sharing funds in the last recent budget covered by the National League of Cities' survey.

Forty-four percent of the cities responding to the National League of Cities' survey said that the loss of revenue sharing would have a significant impact on capital outlays. Over one-fifth of the cities said that there would be a significant impact on public safety - police and fire. Public works and parks operations would be affected by eighteen percent of the cities responding. The loss of revenue sharing appeared as a factor in almost every survey that reported cutbacks and new revenue measures.

How are cities responding to this loss of revenue? State governments are not in any position to cushion the loss of general revenue sharing. The March 1987 "Fiscal Survey of the States" conducted by the National Governors Association and National Association of State Budget Officers, found that twenty-three states were forced to cut their already enacted 1987 budgets to avert pending deficits. Only three percent of the cities report that their state is making more revenue available to help replace general revenue sharing.

Sixty-five percent of the cities in the survey report that their state is providing the same level of assistance as in the past, with no increase. Nineteen percent of the cities report that their states are actually providing a lower level of assistance. Very few -- six percent -- of the cities report that their state government has authorized cities to impose new taxes and only with the approval of local voters. Six percent of the cities report that their state government has authorized cities to impose new taxes -- without requiring approval of the local voters.

The Conference of Mayors and League of Cities are very committed to enactment of a targeted fiscal assistance program. Just last week, meeting in Nashville, the Conference of Mayors unanimously adopted a strong policy resolution urging Congressional adoption of such a program. I am attaching a copy of this resolution to my statement.

In addition, our organizations were very active in the mid-1970's, in winning enactment of the last targeted fiscal assistance program (or as it was then called, the "countercyclical" program). We worked with the Carter Administration to redesign the program in 1979 and 1980 but the program was not reenacted. The countercyclical program was an extremely important source of funds for cities suffering from high unemployment and economic hardships.

In the 1970's, it was the Northeastern, and Midwestern cities with the highest unemployment rates and the seemingly most intractable economic problems. Today, some of those same cities, especially in the Northeast and mid-Atlantic, are on sound economic footing; and it is Texas, Louisiana, the farm belt and other areas which have high unemployment.

Yet some of the cities with economic problems in 1975 still encounter problems today. For example, many cities in Michigan, Illinois, Ohio, Indiana, Wisconsin, and Minnesota are still suffering double-digit unemployment rates, because of the long term decline in employment in the auto, steel, rubber and related industries and despite the efforts of these cities and states to attract other business and jobs to the region.

The unemployment confronting cities around the country are not caused by city policies or actions. Rather, these economic problems are generated by federal and international policies over which local officials have no control -- declining U.S. global competitiveness, falling oil prices, the over-inflated dollar, the long-term movement of higher wage industrial jobs overseas, and past problems of high interest rates and unavailability of farm credit.

Thus, it is important to design an even-handed and fair formula for the distribution of targeted fiscal assistance which meets the diverse needs of different cities and regions. As we mayors have found in working with the Congress in the past, reaching political consensus on a formula is an arduous task -- witness the length of time it took to develop the revenue sharing formula. But we know that with your commitment and ours, we can do it.

When local unemployment rate rises, cities encounter inten budget, economic and social problems. This is because unemployment causes local tax receipts to decline, especially for those cities that have been fiscally responsible and diversified their tax structures. Income, sales and excise taxes are much more sensitive to economic decline than the traditional property tax. In addition, when unemployment rates rise, local expenditures rise too -- for combatting crime, for social services, health care costs, housing aid for the homeless, etc. At the state and federal levels, costs rise for unemployment compensation, welfare, Medicaid and a wide range of human service programs.

Mr. Chairman, there is a profound need for a program of targeted fiscal assistance to help those cities experiencing temporary transitional economic problems, as well as those experiencing more chronic long term economic decline. The U.S. Conference of Mayors and the National League of Cities pledge to work with you as you attempt to formulate a desperately needed program of targeted fiscal assistance.

NATIONAL
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IMPACT OF THE LOSS OF GENERAL REVENUE SHARING ON THE COUNTY OF LOS ANGELES

STATEMENT OF

RICHARD B. DIXON

CHIEF ADMINISTRATIVE OFFICER

COUNTY OF LOS ANGELES

ON BEHALF OF

THE NATIONAL ASSOCIATION OF COUNTIES

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FEDERALISM, AND THE DISTRICT OF COLUMBIA

OF THE

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

JUNE 25, 1987

MR. CHAIRMAN, COMMITTEE MEMBERS, I AM RICHARD B. DIXON, CHIEF ADMINISTRATIVE OFFICER OF THE COUNTY OF LOS ANGELES. I APPRECIATE THE OPPORTUNITY TO TESTIFY TODAY, AND I ESPECIALLY APPRECIATE YOUR WILLINGNESS TO CONSIDER THE ISSUE OF RELIEF FOR LOCAL GOVERNMENTS THAT ARE IN FISCAL TROUBLE.

I'D LIKE TO DESCRIBE THE PLIGHT OF LOCAL GOVERNMENT FROM THE PERSPECTIVE OF A LARGE URBANIZED WESTERN COUNTY.

RESPONSIBILITIES OF COUNTIES

FIRST, LET ME BRIEFLY REVIEW WHERE COUNTIES FIT IN THE INTERGOVERNMENTAL SCHEME IN CALIFORNIA.

-- IN CALIFORNIA, COUNTIES ARE A MULTISERVICE FORM OF GOVERNMENT. THE 58 COUNTIES IN CALIFORNIA ARE RESPONSIBLE FOR A WIDE RANGE OF LOCAL, REGIONAL, AND HUMAN SERVICES.

-- FOR EXAMPLE, COUNTIES IN CALIFORNIA ARE THE LOCAL AGENCIES RESPONSIBLE UNDER STATE LAW FOR PROVIDING HEALTH, WELFARE, JUSTICE, AND OTHER KEY REGIONAL SERVICES TO ALL THE RESIDENTS OF THE COUNTY.

-- COUNTIES ALSO PROVIDE MUNICIPAL SERVICES TO UNINCORPORATED AREAS. IN LOS ANGELES COUNTY, THIS INCLUDES OVER ONE MILLION PEOPLE IN RURAL, WILDERNESS, SUBURBAN, AND URBAN AREAS OF THE COUNTY.

-- OUR COUNTY ALSO PROVIDES A WIDE RANGE OF MUNICIPAL SERVICES, INCLUDING POLICE, FIRE, AND LIBRARY SERVICES, TO MOST OF THE 84 CITIES IN THE COUNTY.

In Los Angeles County, all of these functions are performed on a giant scale, because Los Angeles County has a total population of eight million residents, which is about 31 percent of California's population, spread over more than 4,000 square miles. We are the most populous County in the nation -- in fact, our population is larger than 42 of the 50 States.

Just to give you a flavor of the scale we're dealing with, let me note just some of the programs that Los Angeles County operates:

-- Seven hospitals, 45 health centers, three comprehensive health centers, and two alcoholic rehabilitation centers.

-- The largest local jail facilities in the United States, with currently about 23,000 inmates.

-- 24 municipal courts, 21 superior court locations, and one justice court. Our superior court is the largest court of original jurisdiction in the United States, and our District Attorney is the largest prosecutorial agency, with over 2,000 employees.

-- We also operate libraries, elections, small craft harbors, a performing arts center, almost 100 parks, ten beaches, two museums, and three botanical gardens.

-- In other words County government has a major impact on the health, safety, and well-being of everyone in the County.

BY MANY MEASURES, THE LOS ANGELES AREA IS IN GOOD ECONOMIC SHAPE IN COMPARISON WITH OTHER AREAS IN THE NATION. MANY OF THE NATION'S LEADING MANUFACTURING AND FINANCIAL INSTITUTIONS ARE CENTERED IN LOS ANGELES, AND THERE IS AN INCREASING FLOW OF INTERNATIONAL INVESTMENT AND TRADE.

BUT THERE IS ALSO A DOWNSIDE TO THE LOS ANGELES ECONOMIC PICTURE. WITH 30.7 PERCENT OF THE STATE'S POPULATION, THE COUNTY ALSO HAS:

-- 38 PERCENT OF THE STATE'S AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) POPULATION (620,000 RECIPIENTS);

-- 52 PERCENT OF THE STATE'S GENERAL RELIEF POPULATION (OVER 40,000 RECIPIENTS);

-- 45 PERCENT OF THE STATE'S VIOLENT CRIME;

-- 46 PERCENT OF THE STATE'S DRUG ARRESTS;

-- 40 PERCENT OF THE STATE'S FELONY ARRESTS;

-- THE LARGEST HOMELESS POPULATION IN THE COUNTRY; AND

-- ACCORDING TO THE 1980 CENSUS, OUR COUNTY HAS 32 PERCENT OF THE ILLEGAL ALIENS IN THE NATION. NOT IN THE STATE. IN THE NATION.

LOS ANGELES COUNTY'S FISCAL PROBLEMS

We are in serious and chronic fiscal trouble in Los Angeles County. The basic problem is that County government does not benefit from the upside of the economy -- the increased sales and income tax revenue derived from economic prosperity -- but County government is mandated to pay for the downside -- the indigent health, human services, general relief, jails, and justice system costs.

The open-ended costs include:

-- Health care and general relief to the indigent.

-- Aid to families with dependent children.

-- Courts and related programs such as prosecution and indigent defense.

-- Jails and juvenile detention.

-- These programs are caseload-driven, rapidly growing, and must be funded.

In Los Angeles County, the costs for responding to these needs now consume 56 percent of our County's so-called discretionary revenues -- such as property tax, sales tax, and vehicle license fees revenues. Only 44 percent of our discretionary revenues are available today to fund critical local programs, such as:

-- SHERIFF'S DEPARTMENT

-- FIRE PROTECTION

-- RECREATION, CULTURE, AND OTHER GOVERNMENT SERVICES.

MOREOVER, HEALTH, WELFARE, AND JUSTICE COSTS ARE GROWING AT A FASTER RATE THAN THE REVENUES AVAILABLE TO THE COUNTY TO PAY FOR THEM.

IN LOS ANGELES COUNTY, LOCAL COSTS FOR WELFARE HAVE INCREASED BY 158 PERCENT SINCE 1980. HEALTH AND MENTAL HEALTH COSTS HAVE INCREASED BY 83 PERCENT. JAIL AND DETENTION COSTS HAVE INCREASED BY 157 PERCENT. THE LOCAL REVENUES AVAILABLE TO FUND THESE MANDATES HAVE INCREASED BY ONLY 78 PERCENT.

WHY DOESN'T THE COUNTY'S REVENUE KEEP UP WITH ITS COSTS? THERE ARE THREE REASONS:

1. THE FIRST REASON IS THAT THE COUNTY'S PRINCIPAL REVENUE SOURCE, THE PROPERTY TAX, IS:

   -- LIMITED BY THE STATE CONSTITUTION IN BOTH ITS BASE AND GROWTH; AND

   -- ERODED BY COMMUNITY REDEVELOPMENT AGENCIES WHICH NOW SIPHON OFF $100 MILLION PER YEAR IN PROPERTY TAXES FROM THE COUNTY GENERAL FUND AND SPECIAL DISTRICTS.

2. THE SECOND REASON IS THAT OTHER MAJOR REVENUE SOURCES, SUCH AS THE SALES TAX, ARE ONLY MINIMALLY AVAILABLE IN LOS ANGELES COUNTY BECAUSE:

-- Most areas in the County that generate sales tax are incorporated or are quickly annexed.

-- In other words, the cities and State get practically all sales tax revenue.

-- Los Angeles County has the second lowest per capita sales tax revenue in the State.

3. The third reason is that counties have no independent revenue source. Unlike cities, counties cannot impose tax or charges in excess of costs.

   -- Essentially, counties have a fixed revenue base and must trim property-related services to fit whatever revenue is left after State-mandated services have been provided.

IMPACT OF THE LOSS OF GENERAL REVENUE SHARING

In federal fiscal year 1984, our General Revenue Sharing allocation was $80.5 million. In federal fiscal year 1986, this dropped to $67 million, and to zero in federal fiscal year 1987. In Los Angeles County, General Revenue Sharing has been used to assist in funding indigent health care. When General Revenue Sharing was eliminated, the loss was spread throughout the County and not applied solely to health programs, because we had to preserve essential health services. Nevertheless, the impact has been very painful because other critical services had to be reduced to absorb the loss.

IN JANUARY 1987, WE PROJECTED A POTENTIAL $170 MILLION DEFICIT IN OUR 1987-88 BUDGET. CONTINUATION OF GENERAL REVENUE SHARING WOULD HAVE ELIMINATED ALMOST ONE-HALF OF THIS DEFICIT.

BECAUSE THE COUNTY IS REQUIRED BY STATE LAW TO HAVE A BALANCED BUDGET, THIS POTENTIAL DEFICIT HAD TO BE ELIMINATED. WE WERE ABLE TO ERASE SOME OF THE POTENTIAL DEFICIT THROUGH PRODUCTIVITY SAVINGS, CONTRACTING OUT SERVICES, FEE INCREASES, AND OTHER INITIATIVES, BUT IT WAS STILL NECESSARY TO CUT PROGRAMS BY $73.7 MILLION TO LIVE WITHIN OUR RESOURCES.

THESE PROPOSED CURTAILMENTS INCLUDE:

-- CLOSURE OF SEVEN PUBLIC HEALTH CENTERS.

-- ELIMINATION OF AMBULATORY CARE CLINIC PROGRAMS IN EIGHT HEALTH CENTERS.

-- DELETION OF ALL SPECIALTY AND ADULT DENTAL SERVICES IN HEALTH CENTERS.

-- ELIMINATION OF SEVEN HEROIN DETOXIFICATION LOCATIONS.

-- CLOSURE OF TWO SUBSTANCE ABUSE RESIDENTAL REHABILITATION CENTERS.

-- REDUCTION IN HOSPITAL OUTPATIENT AND INPATIENT SERVICES IN FIVE HOSPITALS.

-- IN OUR WELFARE DEPARTMENT, ACROSS-THE-BOARD CURTAILMENT OF OVER 1,000 EMPLOYEE POSITIONS, RESULTING IN A SUBSTANTIAL INCREASE IN ELIGIBILITY WORKER CASELOADS IN AID TO FAMILIES WITH DEPENDENT CHILDREN AND OTHER PROGRAMS, WHICH MAY RESULT IN INCREASED FRAUD AND PROGRAM ERRORS.

-- CURTAILMENT IN MENTAL HEALTH OUTREACH AND OUTPATIENT SERVICES, AND ELIMINATION OF 156 EMPLOYEE POSITIONS.

-- IN OUR PROBATION DEPARTMENT, ELIMINATION OF SPECIALIZED AND PREVENTIVE PROGRAMS, INCLUDING SCHOOL CRIME SUPPRESSION, CHILD ABUSER CASES, NARCOTICS TESTING, COMMUNITY YOUTH SPORTS AND ARTS, AND SCHOOL-BASED GANG PREVENTION PROGRAMS.

IF WE STILL HAD OUR $80 MILLION GENERAL REVENUE SHARING ALLOCATION, THESE CURTAILMENTS WOULD NOT BE NECESSARY.

REINSTATEMENT OF A GENERAL REVENUE SHARING - TYPE PROGRAM

WE STRONGLY SUPPORT REINSTATEMENT OF A GENERAL REVENUE SHARING - TYPE PROGRAM.

-- THE OLD GRS PROGRAM PROVIDED FUNDS TO LOCAL COMMUNITIES WITH ENOUGH FLEXIBILITY SO THEY COULD USE THE FUNDS IN THE MANNER WHICH WOULD BEST MEET LOCAL NEEDS. THE PROGRAM WAS ALSO VERY EFFICIENT IN THAT FEDERAL COSTS FOR ADMINISTERING THE PROGRAM WERE JUST ONE-TENTH OF ONE PERCENT OF THE PROGRAM'S TOTAL BUDGET.

-- A GRS-TYPE PROGRAM ALSO RECOGNIZES THAT CERTAIN PROBLEMS ARE BEYOND THE CAPACITY OF LOCAL GOVERNMENT TO SOLVE AND, THEREFORE, MERIT FEDERAL ASSISTANCE. POLITICAL INSTABILITY AND POOR ECONOMIC CONDITIONS IN OTHER COUNTRIES CAN RESULT IN A COUNTY GOVERNMENT BEING INUNDATED WITH NEEDY REFUGEES AND IMMIGRANTS WHO NEED HEALTH, WELFARE AND HOUSING. IN ADDITION, CHANGING ECONOMIC CONDITIONS AND PROBLEMS BEYOND THE CONTROL OF LOCAL GOVERNMENT CAN ADVERSELY AFFECT A COMMUNITY'S FISCAL CAPACITY TO ADDRESS LOCAL NEEDS. IN URBAN COUNTIES SUCH AS LOS ANGELES THERE HAS BEEN AN INFLUX FROM THROUGHOUT THE COUNTRY OF THE HOMELESS AND THE MENTALLY ILL, WHICH HAS PLACED SPECIAL STRAINS ON OUR LIMITED RESOURCES. THESE KINDS OF PROBLEMS ARE NATIONAL IN CHARACTER AND BEYOND THE FISCAL SCOPE OF LOCAL COMMUNITIES.

I BELIEVE THAT TARGETING GENERAL REVENUE SHARING - TYPE FUNDING TO THE COMMUNITIES WITH THE GREATEST NEEDS IS DESIRABLE. HOWEVER, ANY SUCH TARGETING FORMULA NEEDS TO TAKE INTO ACCOUNT THE VARYING RESPONSIBILITIES AND REVENUE SOURCES AVAILABLE TO LOCAL JURISDICTIONS -- ESPECIALLY FOR COUNTIES WHOSE RESPONSIBILITIES FOR PROVIDING HEALTH AND HUMAN SERVICES TO INDIGENTS CROSS MUNICIPAL BOUNDARIES.

For example, Los Angeles County has a per capita income which is above the national average because it contains communities such as Beverly Hills as well as poorer communities such as Watts. While the low-income municipalities in the County would benefit from a formula which targets funds based on per capita income, it is the County, NOT municipal government, which is responsible for providing the health and human services needed by the residents of those municipalities.

Thank you for your time. I would be happy to answer any questions.

AG:os
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6/23/87

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IMPACT OF THE LOSS OF REVENUE SHARING
ON TRUMBULL COUNTY, OHIO

STATEMENT OF

CHRISTOPHER LARDIS

PRESIDENT, TRUMBULL COUNTY BOARD OF COMMISSIONERS

TRUMBULL COUNTY, OHIO

ON BEHALF OF

THE NATIONAL ASSOCIATION OF COUNTIES

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FEDERALISM, AND THE DISTRICT OF COLUMBIA

OF THE

SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

JUNE 25, 1987

THANK YOU MR. CHAIRMAN FOR INVITING ME TO PARTICIPATE IN THE SUBCOMMITTEE'S HEARING ON THE IMPACT OF THE LOSS OF GENERAL REVENUE SHARING ON LOCAL GOVERNMENTS. I AM CHRISTOPHER LARDIS, PRESIDENT OF THE TRUMBULL COUNTY, OHIO BOARD OF COMMISSIONERS AND I AM TESTIFYING ON BEHALF OF THE NATIONAL ASSOCIATION OF COUNTIES.*

MANY COUNTY GOVERNMENTS NATIONWIDE ARE IN A STATE OF FISCAL CRISIS, AND FOR SOME, LIKE MY OWN THERE IS NO END IN SIGHT. IN MOST CASES, THE END OF THE GENERAL REVENUE SHARING PROGRAM COMBINED WITH LOCAL ECONOMIC DRAINS HAS CREATED A SOMETIMES DESPERATE SITUATION. FOR EXAMPLE:

- WASHINGTON COUNTY, LOUISIANA ELIMINATED, ENTIRELY, ITS ELDERLY HOMEBOUND MEALS PROGRAM.

- BARRY COUNTY, MISSOURI CLOSED ITS HEALTH DEPARTMENT AND CUT ITS SHERIFFS BUDGET IN HALF.

- CHIPPEWA COUNTY, MICHIGAN DROPPED ITS CRIPPLED CHILDREN'S PROGRAM AS WELL AS ITS HOME HEALTH CARE SERVICES.

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* THE NATIONAL ASSOCIATION OF COUNTIES IS THE ONLY NATIONAL ORGANIZATION REPRESENTING COUNTY GOVERNMENT IN THE UNITED STATES. THROUGH ITS MEMBERSHIP, URBAN, SUBURBAN AND RURAL COUNTIES JOIN TOGETHER TO BUILD EFFECTIVE, RESPONSIVE COUNTY GOVERNMENT. THE GOALS OF THE ORGANIZATION ARE TO: IMPROVE COUNTY GOVERNMENT; SERVE AS THE NATIONAL SPOKESMAN FOR COUNTY GOVERNMENT; TO ACT AS LIAISON BETWEEN THE NATION'S COUNTIES AND OTHER LEVELS OF GOVERNMENT; ACHIEVE PUBLIC UNDERSTANDING OF THE ROLE OF COUNTIES IN THE FEDERAL SYSTEM.

- LEE COUNTY, KENTUCKY, WHICH IS THAT STATE'S SECOND LEADING OIL PRODUCER, HAS SUFFERED FROM LOW OIL PRICES AND WILL LOSE $400,000 IN OIL SEVERENCE-TAX MONEY. LEE COUNTY ALSO LOST $112,000 A YEAR IN FEDERAL REVENUE SHARING AND TODAY SUFFERS AN UNEMPLOYMENT RATE OF MORE THAN 20 PERCENT.

- CUYAHOGA COUNTY, OHIO REDUCED ITS SUBSIDY TO THE COUNTY HOSPITAL BY $5 MILLION.

- PACIFIC COUNTY, WASHINGTON HAS HAD A DECREASE IN FOREST PRODUCT REVENUES WHICH CONSTITUTED NEARLY 40 PERCENT OF THE COUNTY'S OPERATING RESOURCES SIX YEARS AGO AND NOW ONLY PROVIDES 3 PERCENT OF LAST YEAR'S RESOURCES, A LOSS OF NEARLY TWO MILLION DOLLARS A YEAR. PACIFIC COUNTY ALSO LOST ANOTHER QUARTER MILLION DOLLARS EACH YEAR AS A RESULT OF THE TERMINATION OF THE FEDERAL REVENUE SHARING PROGRAM.

- IN HOT SPRING COUNTY ARKANSAS THE AMBULANCE SERVICE IS NO LONGER PUBLIC OR FREE: AN UNEXPECTED TRIP TO THE HOSPITAL NOW COSTS AS MUCH AS $250.

- RITCHIE COUNTY, WEST VIRGINIA HAS EXPERIENCED A FALTERING GAS AND OIL INDUSTRY AND WILL LOSE $193,000 OR 25 PERCENT OF ITS TOTAL REVENUES. LAST YEAR RITCHIE COUNTY LOST OVER $200,000 IN FEDERAL REVENUE SHARING FUNDS. COUPLED WITH

THESE LOSSES THE COUNTY HAS ALSO EXPERIENCED A $5 MILLION REDUCTION IN PROPERTY ASSESSMENTS AND IS TERMINATING POSITIONS IN ITS LAW ENFORCEMENT DEPARTMENT ALONG WITH OTHER COUNTY SERVICE DEPARTMENTS.

THESE FISCAL PROBLEMS ARE ONLY THE TIP OF THE ICEBERG AND ARE ESPECIALLY ALARMING BECAUSE COUNTIES, AS THE FASTEST GROWING JURISDICTIONS IN MOST STATES, ARE ALSO THE "GOVERNMENT OF LAST RESORT". COUNTIES ARE RESPONSIBLE FOR THE NATION'S GROWING DEMAND FOR CRITICAL HEALTH AND HUMAN SERVICES AS WELL AS THE MAINTENANCE OF MUCH OF THE COUNTRY'S INFRASTRUCTURE.

AT THE SAME TIME, THEY ARE FORCED TO RELY ON THE MOST REGRESSIVE FORM OF FINANCING - THE LOCAL PROPERTY TAX. MANY COMMUNITIES FACE ECONOMIC AS WELL AS POLITICAL DIFFICULTIES WHEN THEY ATTEMPT TO RAISE THIS UNPOPULAR TAX. IN SEVERELY DISTRESSED COUNTIES, PROPERTY VALUES CONTINUE TO DECLINE AND SOME LOCAL GOVERNMENTS HAVE BEEN FORCED TO RAISE TAX RATES TO OFFSET DECLINING TAX BASES. WORSE, MANY POOR COUNTIES HAVE REACHED THE HIGHEST PROPERTY TAX RATES ALLOWED UNDER STATE LAWS.

MANY LARGE COUNTIES ARE ALSO IN THE SAME PREDICAMENT. DADE COUNTY FLORIDA IS AT THEIR PROPERTY TAX LIMIT UNDER STATE LAW. THEY HAVE AN INDIGENT HEALTH CARE BUDGET THAT IS $180 MILLION (PAID OUT OF PROPERTY TAXES) AND GROWING. THEY HAVE NO

OTHER SOURCES OF REVENUE AVAILABLE TO THEM DUE TO LIMITATIONS THAT ARE IMPOSED ON FLORIDA COUNTIES BY THE STATE CONSTITUTION.

ALTHOUGH COUNTIES ARE LOBBYING THEIR STATES FOR INCREASED TAXING AUTHORITY, THEY HAVE ACHIEVED LIMITED SUCCESS IN DOING SO, AS EVIDENCED BY THE ATTACHED STUDY WHICH WE SUBMIT FOR THE RECORD.

IN YOUR OWN STATE OF TENNESSEE, MR. CHAIRMAN, SHELBY COUNTY'S, INDIGENT HEALTH CARE BURDEN ALONE HAS REACHED OVER $40 MILLION A YEAR. THIS GROWING RESPONSIBILITY IS FINANCED TOTALLY BY THE COUNTY PROPERTY TAX. I ASK YOU, HOW LONG CAN THIS GO ON?

MY COUNTY, TRUMBULL, IS A SMALL BEDROOM COMMUNITY FOURTEEN MILES OUTSIDE OF YOUNGSTOWN, OHIO. THE COUNTY'S FY '87 BUDGET IS $13,122,438. FEDERAL REVENUE SHARING LOST BY TRUMBULL COUNTY IN 1986 AMOUNTED TO $889,446 WHICH AMOUNTED TO 7 PERCENT OF OUR TOTAL BUDGET - NOT AN INSIGNIFICANT AMOUNT.

THE MAJORITY OF OUR FEDERAL REVENUE SHARING RECEIPTS WENT INTO THE OPERATION OF OUR COUNTY AND ABOUT 15% OF OUR REVENUE SHARING RECEIPTS WERE USED FOR OUR ELDERLY AFFAIRS PROGRAM.

AT RECENT BUDGET HEARINGS, EACH DEPARTMENT HEAD TESTIFIED

THAT AN EMERGENCY FISCAL CONDITION EXISTS IN THE COUNTY, AFFECTING THE HEALTH, WELFARE, AND SAFETY OF THE CITIZENS. THIS EMERGENCY SITUATION EXISTS DUE TO A $3,104,888 SHORTFALL IN THE 1987 COUNTY BUDGET. IN REAL LIFE TERMS WHAT DOES THIS DOLLAR SHORTAGE MEAN?

TRUMBULL COUNTY IS DOWN FROM 431 TO 241 EMPLOYEES REPRESENTING A SIGNIFICANT BELT-TIGHTENING EFFORT AND A GREAT COST TO GOVERNMENT EFFECTIVENESS. NOT ONLY ARE 241 EMPLOYEES NOT ENOUGH TO RUN A COUNTY OF ABOUT A QUARTER OF A MILLION PEOPLE, BUT COSTS OF LAYING OFF THESE EMPLOYEES HAS BEEN HEAVY. IN 1987 ALONE THE COUNTY WILL PAY $435,950 IN UNEMPLOYMENT COMPENSATION. SINCE 1981 WE HAVE SPENT $744,893 ON LAID-OFF WORKERS.

THERE ARE NOW 39,000 CITIZENS IN THE UNINCORPORATED AREAS OF TRUMBULL COUNTY WHO HAVE NO POLICE PROTECTION. FURTHERMORE, THE SHERIFF HAS 430 OUTSTANDING WARRANTS, MANY OF WHICH ARE FELONY CHARGES. HE SERVED ONLY NINE OF THESE WARRANTS DURING THE MONTH OF MAY, DUE TO A SHORTAGE OF DEPUTIES.

THE ELDERLY AFFAIRS PROGRAM WILL CLOSE DOWN FOR LACK OF FUNDS AND OUR CHILD ASSAULT PROTECTION UNIT WILL BE CLOSED EARLY NEXT YEAR PLACING ABUSED AND NEGLECTED CHILDREN AT THE BOTTOM OF THE LIST IN TERMS OF PROTECTION BY GOVERNMENT AUTHORITIES.

IN THE PROSECUTOR'S OFFICE, THERE IS NO JUVENILE PROSECUTOR, NO FULL TIME CRIMINAL DIVISION HEAD, NOR A COURT OF APPEALS PROSECUTOR.

THE COUNTY WILL NOT BE ABLE TO INSTITUTE A MOSQUITO CONTROL PROGRAM. DISEASES SUCH A HUMAN HEART WORM AND ENCEPHALITIS CAN BE CARRIED BY MOSQUITOES. THERE IS NO PREVENTIVE INOCULATION FOR HUMAN HEART WORM.

THE COUNTY'S WEIGHTS AND MEASURES TEAMS HAS BEEN DISBANDED, THEREFORE, INSPECTORS ARE NO LONGER CHECKING GASOLINE PUMPS AND GROCERY SCALES. CITIZENS NO LONGER KNOW WHETHER THEY ARE GETTING A FULL GALLON OF GAS OR A FULL POUND OF HAMBURGER AT THE GROCERY STORE.

A BACKLOG OF 10,000 DOCUMENTS IN THE RECORDER'S OFFICE IS SLOWING DOWN REAL ESTATE TRANSACTIONS AND MORTGAGE DOCUMENTS. INABILITY TO OBTAIN DOCUMENTS OR OWNERSHIP HURTS THOSE HOPING TO COMPLETE FINANCIAL ARRANGEMENTS. MORTGAGE FIRMS, LENDING INSTITUTIONS, AND CREDIT COMPANIES ARE FINDING IT DIFFICULT TO DO BUSINESS IN TRUMBULL COUNTY. SOME WILL NOT DO BUSINESS HERE, SLOWING DOWN BUSINESS INVESTMENT, AND COSTING US JOBS.

FOR SEVEN COUNTY BUILDINGS WE HAVE ONLY SIX MAINTENANCE/JANITORIAL EMPLOYEES TO MAINTAIN CLEANLINESS, FIX

LIGHTS, PLUMBING, CLEAR SNOW, CUT AND WATER GRASS; WE HAVE ONLY THREE BOILER-AIR QUALITY TECHNICIANS FOR SEVEN BUILDINGS.

COUNTY BUILDINGS ARE DETERIORATING AS THERE HAS BEEN LITTLE OR NO MAINTENANCE IN MANY YEARS. THE LACK OF FUNDS HAS PRECLUDED FIXING LEAKY ROOFS, OUTDATED PLUMBING AND HEATING SYSTEMS; AND WORST OF ALL, THIS POOR FINANCIAL CONDITION HAS PERMITTED OLD AND UNSAFE ELECTRICAL SYSTEMS TO GO WITHOUT MAINTENANCE CAUSING SERIOUS SAFETY HAZARDS. THE PEOPLES' INVESTMENT IN THE COUNTY INFRASTRUCTURE IS CONSIDERABLE AND SHOULD NOT GO UNATTENDED.

TRUMBULL COUNTY IS IN FACT IN CRISIS. WE ARE LOSING POTENTIAL INVESTORS AND DEVELOPMENT DUE TO THE LACK OF PUBLIC INVESTMENT IN OUR COMMUNITY. THERE IS ONLY ONE WAY OUT - MONEY. THE COUNTY HAS ATTEMPTED TO END THE DEFICIT. WE HAVE BORROWED $284,514 FROM THE INSURANCE FUND AND HAVE PUT ON THE AUCTION BLOCK BOTH THE NURSING HOME AND AN HISTORICAL STONE BUILDING.

TWICE NOW WE HAVE GONE TO THE VOTERS WITH A HALF PENNY EMERGENCY SALES TAX AND THEY HAVE VOTED IT DOWN. WHY? THE MAJORITY OF OUR RESIDENTS ARE UNEMPLOYED OR UNDEREMPLOYED DUE TO THE LONG TERM FALL-OUT OF THE LOSS OF THE STEEL INDUSTRY, OR THEY ARE ELDERLY, BECAUSE THE YOUNG HAVE MOVED AWAY SEEKING MORE PROMISING OPPORTUNITIES. WE JUST DO NOT HAVE THE TAX BASE.

* * * *

LETS EXAMINE FOR A MOMENT, THE IMPACT OF RECENT FEDERAL BUDGET POLICIES ON LOCAL GOVERNMENTS AND THE PEOPLE WHO LIVE THERE:

SINCE 1978, THE FEDERAL GOVERNMENT HAS INCREASINGLY WITHDRAWN FROM DOMESTIC POLICY AND HAS NOW VIRTUALLY TURNED ITS BACK ON COMMUNITIES LIKE MINE, SLASHING ITS FISCAL SUPPORT TO STATE AND LOCAL GOVERNMENTS BY 66 PERCENT.

DURING LAST YEAR'S LOST BATTLE TO SAVE GENERAL REVENUE SHARING, REASONS GIVEN BY CONGRESS AND THE ADMINISTRATION FOR KILLING THE PROGRAM WERE DISINGENUOUS AT BEST. THEY SAID "WE HAVE NO REVENUE TO SHARE".

IN FACT, THE FEDERAL GOVERNMENT SPENT MORE THAN EVER BEFORE IN OUR NATION'S HISTORY; WHAT IS ACTUALLY HAPPENING IS THAT STATE AND LOCAL GOVERNMENTS ARE BEING SHORT-CHANGED BY FEDERAL DECISIONS TO ALLOCATE MORE FEDERAL SPENDING TO ACTIVITIES CONSIDERED TO HAVE A HIGHER POLITICAL PRIORITY.

EVEN THOUGH FEDERAL SUPPORT IS DECLINING, FEDERAL MANDATES IMPOSED BY CONGRESS OR THE COURTS CONTINUE TO DICTATE TO STATE AND LOCAL GOVERNMENTS THE EXPENDITURE OF SUBSTANTIAL MONEY ON NATIONAL PRIORITIES SUCH AS WASTE WATER CONTROL, TOXIC WASTES, AND CORRECTIONS FACILITIES. ONLY TWO YEARS AGO, CONGRESSIONAL

ENACTMENT OF THE FAIR LABOR STANDARDS ACT RESULTED IN IMPOSITION OF AN ESTIMATED $1 BILLION OF ADDED COSTS ONTO STATE AND LOCAL GOVERNMENTS.

GENERAL REVENUE SHARING, AS A SOURCE OF UNRESTRICTED FEDERAL FUNDS, WAS A NEEDED MEANS FOR LOCALITIES TO MEET THESE OFTEN UNDERFUNDED OR UNFUNDED FEDERAL MANDATES. MOREOVER, AS OTHER FEDERAL PROGRAMS WERE CUT, GPS WAS THE ONLY FEDERAL MONEY AVAILABLE TO LOCALITIES TO HELP THEM MEET THE HIGHEST PRIORITY NEEDS CREATED BY THE WITHDRAWAL OF FEDERAL RESPONSIBILITY.

NOW WE NO LONGER HAVE THAT AID, FEDERAL PROGRAMS ARE STILL BEING CUT, ECONOMIC SITUATIONS ARE WORSE IN MANY PLACES, AND WE STILL HAVE UNPAID MANDATES TO FULFILL.

THE CURRENT ADMINISTRATION DEALT YET ANOTHER BLOW TO LOCALITIES WHEN THEY ILLEGALLY IMPOUNDED THE $180 MILLION OF SEQUESTERED GRS MONIES. THE LOCAL GOVERNMENTS OF THIS NATION HAVE HAD TO SUE THE FEDERAL GOVERNMENT FOR MONEY THEY ARE ENTITLED TO UNDER THE LAW AND ARE NOW AWAITING A DECISION. THIS IS NOT ONLY UNFAIR, IT IS A TRAVESTY.

CONSIDER, FOR EXAMPLE, COMMUNITIES THAT HAVE BEEN HIT BY THE FARM CRISIS. INCLUDED WITH OUR TESTIMONY, FOR THE RECORD, IS A NACO REPORT COMPLETED LAST YEAR, DOCUMENTING THE IMPACT OF CUTS

IN FEDERAL ASSISTANCE, AS WELL AS THE THEN PROPOSED ELIMINATION OF GRS, ON COMMUNITIES IN FARM STATES. THE REPORT SHOWS THAT STATE AN LOCAL REVENUES HAVE BEEN SEVERELY REDUCED DUE TC DECLINING FARM SECTOR INCOMES, SALES AND PROPERTY VALUES.

IN FY 1985 GENERAL REVENUE SHARING PROVIDED MONEY AMOUNTING TO OVER 10 PERCENT OF AVERAGE COUNTY REVENUES IN A MAJORITY OF THE 15 MOST FARM DEPENDENT STATES: ARKANSAS (29.7%), MISSISSIPPI (22.4%), KENTUCKY (21.2%), IDAHO (17.8%), NORTH DAKOTA (13.9%), MONTANA (11.2%), SOUTH DAKOTA (10.8%), AND NEBRASKA (10/1%). OBVIOUSLY REVENUE SHARING WAS NOT JUST ICING ON THE CAKE FOR COUNTIES IN THESE STATES.

IN A RECENT SURVEY OF RURAL COUNTIES, CONDUCTED BY NACO, WHICH WE ALSO SUBMIT FOR THE RECORD, WE FOUND THAT 64 PERCENT OF THE COUNTIES SAMPLED HAD NO CHOICE BUT TO CUT, REDUCE, OR ELIMINATE IMPORTANT PROGRAMS AND SERVICES. THEY DO NOT EVEN HAVE THE TAX BASE TO RAISE THE NECESSARY TAXES TO CONTINUE PROGRAMS.

- GALLETIN COUNTY, MONTANA HAS ELIMINATED ITS MENTAL HEALTH PROGRAM AND DRASTICALLY REDUCED ITS POLICE PROGRAM.

- SHELBY COUNTY, INDIANA ELIMINATED ITS TRASH REMOVAL PROGRAM.

- CHEROKEE COUNTY, NORTH CAROLINA HAS DISCONTINUED ITS JAIL IMPROVEMENT PROJECT.

- GREENE COUNTY, TENNESSEE STOPPED CONSTRUCTION ON A NEW DETENTION CENTER.

THIRTY-ONE COUNTIES HAVE ACTUALLY RAISED TAXES TO COMPENSATE FOR THE LOSS OF REVENUE SHARING AND 16 MORE INDICATED THEY WOULD BE INCLUDING TAX INCREASES IN THEIR UPCOMING BUDGETS. OF THE COUNTIES SURVEYED, 28% REPORTED THAT THEY HAVE HAD TO RESORT TO A DUAL RESPONSE: INCREASING LOCAL TAXES AND DECREASING AVAILABLE SERVICES.

EIGHT PERCENT ACTED ON THE PRESUMPTION THAT REVENUE SHARING WOULD BE ELIMINATED AND REBUDGETED ON THAT BASIS. THIS MAY OR MAY NOT MEAN THAT SERVICES WERE REDUCED IN ADVANCE OF THE TERMINATION OF GRS.

ONLY TEN PERCENT OF THOSE SURVEYED HAD THE ABILITY TO MAINTAIN SERVICES WITHOUT RAISING TAXES.

GENERAL REVENUE SHARING SIMILARLY PROVIDED A FISCAL CUSHION FOR COMMUNITIES DEPENDENT UPON OTHER TROUBLED ECONOMIC SECTORS. NOW AN OVERWHELMING NUMBER OF RURAL AND CERTAIN URBAN AREAS ARE

FACED WITH SAGGING ECONOMIES THAT HAVE BEEN FURTHER DEVASTATED BY THE LOSS OF GRS.

THE PLUNGE IN ENERGY PRICES, EVEN IF THE PRICE OF OIL IMPROVES, HAS CAUSED SEVERE LONG-TERM STRUCTURAL PROBLEMS FOR STATES AND LOCALITIES SUCH AS TEXAS, OKLAHOMA, LOUISIANA, NORTH DAKOTA AND MONTANA. COUNTIES IN THESE STATES ARE STRUGGLING TO MAINTAIN PUBLIC SERVICES IN THE FACE OF PLUMMETING STATE AND LOCAL REVENUES. FOR COMMUNITIES IN THE TWENTY-THREE STATES THAT WERE FORCED TO CUT THEIR SPENDING BELOW BUDGETED LEVELS LAST YEAR GRS PROVIDED A FIRM CUSHION AGAINST CYCLICAL DECLINES IN ECONOMIC FORTUNE.

EVEN WITH THESE BUDGET CUTS TWENTY-EIGHT STATES HAVE RAISED OR ARE RAISING TAXES SIGNIFICANTLY, BUT DISTRESSED COUNTIES WILL NOT BENEFIT. EXPENDITURE GROWTH FOR STATES IN FY 1988 IS THE SMALLEST SINCE THE RECESSION. GOVERNORS HAVE PROPOSED TO INCREASE SPENDING BY 3.9 PERCENT - BUT WHEN INFLATION IS TAKEN INTO ACCOUNT - THERE IS NO REAL GROWTH IN NEXT YEAR'S BUDGET. IT IS CLEAR THAT, ALL OVER, STRAPPED COMMUNITIES MUST LOOK TO THE FEDERAL GOVERNMENT FOR ASSISTANCE.

SUMMARY

THE NATIONAL ASSOCIATION OF COUNTIES COMMENDS THE CHAIRMAN

AND YOUR SUBCOMMITTEE ON BEING THE FIRST THIS YEAR TO FOCUS ON THE FINANCIAL AND PUBLIC SERVICE PROBLEMS FACED BY LOCAL COMMUNITIES AND WE APPLAUD YOUR EFFORTS TO INITIATE A FEDERAL ROLE IN AIDING THESE LOCAL GOVERNMENTS.

A PROGRAM OF FEDERAL TARGETED FISCAL ASSISTANCE TO FINANCIALLY DISTRESSED COMMUNITIES WOULD GO A LONG WAY TOWARD ALLEVIATING SOME OF THE MOST PRESSING PROBLEMS BEING FACED AT THE LOCAL LEVEL.

IT IS THE ESSENCE OF OUR FEDERAL SYSTEM THAT WE HELP ONE ANOTHER IN TIMES OF UNEXPECTED FINANCIAL NEED. YESTERDAY GRS WAS THE SINGLE MOST EFFECTIVE COMPONENT IN THE INTERGOVERNMENTAL FISCAL SYSTEM. TODAY WE ARE ASKING THE FEDERAL GOVERNMENT NOT TO ABANDON AMERICA'S COMMUNITIES, BUT TO WORK WITH US TO DEVELOPMENT A SYSTEM TO HELP DISTRESSED LOCAL GOVERNMENTS SURVIVE.

IN A $1.1 TRILLION FEDERAL BUDGET, THERE IS ROOM FOR LOCAL FISCAL ASSISTANCE. TO CONCLUDE OTHERWISE IS TO DENY LOCALITIES AND THE PEOPLE THEY SERVE FUNDS THEY DESPERATELY NEED.

U.S. SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

SUBCOMMITTEE ON INTERGOVERNMENTAL RELATIONS

STATEMENT BY RICHARD P. NATHAN, PRINCETON UNIVERSITY, AND

PAUL R. DOMMEL, CLEVELAND STATE UNIVERSITY

NEEDED - A FEDERAL SAFETY NET FOR COMMUNITIES

June 25, 1987

For a long time the subject of the distribution of federal aid has been of interest to us in our research. Six years ago we presented testimony to this subcommittee on the history and major concepts of federal aid allocations.

We regret that all we have today in this update is bad news. The problems of community distress are getting worse; the federal government is doing less about them; and, to top it all off, the programs that we do have that are effectively targeted on the most needy communities are deteriorating before our very eyes.

With a diminishing federal role in the eighties, perhaps we should think differently about the role of federal grants-in-aid. It is arguable that if the federal grant system is to have a smaller role, then it is all the more critical that we emphasize the equalization role of grants. The basic idea is that we should concentrate our resources on those conditions and communities that are most in need.

In the Carter period, we called this "targeting." Under the present regime, it is probably better to label this as the "safety net" approach to federal grants-in-aid. This issue is easy to talk about, yet difficult to work on. In the age of computers, we now have "print-out politics" for grants-in-aid. Whenever a vote takes place in the Congress or in a State legislature, every member wants a printout showing how much each town, county or city receives in relation to other eligible jurisdictions. One result is that under and after Nixon's New Federalism we have seen a spreading, rather than a targeting, of federal grants.

The first issue in allocating funds on a safety-net or targeting basis is how to define need. There are a great many possibilities for doing so. The choice among them is essentially a political decision.

During the past decade urban analysts have developed a variety of measures of urban hardship. What emerges from these various approaches to measure need is convergence. The same cities tend to rank at the top of the list of the most distressed places regardless of which index we use.

In this testimony, we update our earlier work on index and formula studies. We highlight several points:

1. Urban problems are getting worse in the most distressed communities.

2. Increasingly, these problems involve minority poverty impaction, particularly in urban areas.

3. Federal grant programs tend to spread out funds rather than target them. Moreover, some of the targeting features of existing programs have eroded in recent years.

4. We believe that your Subcommittee should look closely at existing grant allocation systems as a starting point for the next generation of reforms to improve the targeting capacity of the grants system.

5. Specifically, we present the results of a new study of how the CDBG program (a formula grant) and the UDAG program could be used as the base for

the next generation of federal grant-in-aid reforms.

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We begin with a discussion of urban conditions. We present three ways of looking at current urban conditions and trends.

The first persepective is to look at cities as a whole and compare them to their suburbs. The problem of disparities between cities and suburbs is a key to understanding urban conditions in America.

Digging deeper, we present a second perspective. It highlights research that focuses on what are increasingly referred to as urban "underclass" conditions, the problems of minority poverty impaction in older and declining large cities.

The third perspective is based on a large data set showing the relative conditions of over 800 cities, which leads into the formula issues we emphasize later in this testimony.

The Central City Hardship Index

One approach we have used is to compare the problems of cities with the problems of suburbs. This central city hardship index uses six socioeconomic factors: unemployment, dependency, low levels of income and education, crowded housing and poverty. When we orginally constructed this index we used 1970 census data. Currently efforts are underway to update the study using 1980 census data. The index measures the hardship in fifty-five of the nation's largest cities relative to the hardship in the surrounding suburbs within that particular SMSA. A city-suburb index below 100 reveals that hardship conditions in a central city are less severe than in its suburbs. An index rating over 200 indicates serious city-suburb disparity problems.

Preliminary research by Charles Adams and Ronald Fowler of Ohio State University, using 1980 census data, is both revealing and discouraging. Between 1970 and 1980 average city-suburb hardship rose by 40 percent, with the greatest increase in hardship occurring in the highest 20 percent, that is, among the cities that were worse-off to begin with relative to their suburbs. In 1970 13 of the 55 cities examined had city-suburb indices below 100. In 1980 only 6 were below 100. In 1970 12 of the 55 cities had severe city-suburb disparities, as evidenced by a hardship index above 200. In 1980 the number of cities with indices over 200 had risen to 27. The cities above 200 are shown below:

1970	1980
1. Newark (412)	1. Hartford (604)
2. Cleveland (322)	2. Newark (594)
3. Hartford (304)	3. Cleveland (428)
4. Baltimore (254)	4. Baltimore (372)
5. Chicago (238)	5. Chicago (357)
6. Saint Louis (227)	6. Detroit (344)
7. Atlanta (220)	7. New York (334)
8. Gary (212)	8. Gary (318)
9. Rochester (210)	9. Saint Louis (299)
10. Dayton (205)	10. Dayton (293)
11. Detroit (205)	11. Rochester (290)
12. Richmond (201)	12. Atlanta (289)
	13. Philadelphia (286)
	14. Milwaukee (286)
	15. Buffalo (259)
	16. Boston (251)
	17. San Jose (243)
	18. Richmond (236)
	19. Springfield (234)
	20. Akron (233)
	21. Ft. Worth (231)
	22. Youngstown (228)
	23. Miami (219)
	24. Denver (214)
	25. New Orleans (204)
	26. Birmingham (202)
	27. Louisville (202)

The Urban Underclass

Worsening city-suburb disparities are reflected not only in rising central city hardship indices; they are also evident in the emergence of "underclass" conditions in many large cities. Increasingly experts on urban conditions are calling attention to the hard and unpleasant reality of a second America in the ghettos of our cities.

For this part of our testimony, we focus on the fifty largest cities in 1970. The total population of these cities fell by 5.1 percent between 1970 and 1980. However, the number of poor people living in these cities rose by 11.7 percent. We need to look more closely at this increase. The white poverty population fell by 18.3 percent. But the black poverty population rose by 18.0 percent. The population of white poor concentrated in poverty areas (census tracts with over 20 percent poverty) fell by 5.9 percent; the number of black poor concentrated in such areas, on the other hand, rose by 22.6 percent. A disturbing thirty-four of the fifty largest cities had over 75 percent of poor blacks living in high-poverty areas. (See Appendix A for additional data and greater analysis of these conditions.)

How should we view this situation?

The existence of a distinctive underclass in an ironic way is a result of the success, not the failure, of American social policy. The success of the civil rights revolution (surely not complete, but extraordinary nonetheless) has caused a bifurcation of the racial minority groups, which were the focus of the civil rights laws of the fifties and sixties and the social programs of the mid-sixties and into the seventies.

But there were unanticipated results of this social change. As avenues of opportunity opened for upwardly mobile and educated members of racial minority groups to move to suburbs or better-off urban neighborhoods, the people left behind in the ghetto, the hidden city, are more isolated. The successful role models of an earlier day--teachers, businessmen, civil servants--have left. The result is that the dangerous inner-city areas that fester in our land have become an increasingly serious social and economic problem.

Underclass conditions are multi-faceted. They are economic, behavioral, and geographically focused. This is not to say that we can easily put our social science calipers to the task of measuring the underclass. The underclass involves more than things we can measure with conventional economic and demographic indicators, such as low income, long-term unemployment, limited education and the incidence of welfare dependency. The underclass condition is also attitudinal and behavioral. It involves alienation, and for the long-term welfare sub-group what Thomas Pettigrew calls a feeling of "learned helplessness." It is often manifest in crime and vandalism, which serve to further isolate underclass groups.

In summary, our data show that the minority population of urban poverty areas accounts for between six and fifteen percent of all persons in poverty in the United States, depending upon the definition used for poverty areas. If we define urban poverty areas as census tracts with 20 percent or more poverty population, there were 4.1 million black and Hispanic poor persons in poverty areas of the hundred largest cities in 1980. This number is 15.1 percent of all persons classified as being in poverty in the U.S.

The Composite Urban Conditions Index

A broader perspective for looking at the conditions of a wide array of places--as you have to do in considering targeting strategies for grants-in-aid--is what we call the "composite urban conditions index." This index is based on the percentage of housing units built before 1940, the percentage of persons with income below the poverty level and the percentage of population change. Researchers at Cleveland State and Brown Universities recently updated this index, which we both used in a 1978 Brookings Institution study of the community development block grant (CDBG) program. They focused upon the 814 jurisdictions entitled to receive CDBG funds in 1985. In updating the index, two sets of index scores have been computed, one based on the 1970 census data and the other on the 1980 census data, although missing data for some communities prevented the calculation of needs scores for all 814 jurisdictions at both points in time (see Appendix B). The index mean was standardized to 100, with jurisdictions scoring above 100 being relatively more distressed than those scoring below 100. Communities were then grouped into quintiles based on their index scores, with those cities in the first quintile ranking as the relatively most distressed and those in the fifth quintile as the least distressed.

For both 1970 and 1980 the most distressed entitlement communities are found to be either the very large or the very small places (see Table 1). The 1980 data set shows that the Northeast and the North Central regions have the greatest share of most distressed places. The proportion of communities in these two regions that rank among the most distressed (the first quintile) increased between 1970 and 1980. Moreover, as shown in Table 2, conditions in the nation's most distressed entitlement jurisdictions have worsened in the past decade. Those communities that ranked as the most distressed in 1980 showed a substantial increase in their average index score over the past decade, whereas the average needs score for entitlement jurisdictions in the other four quintiles declined during this same period. Further, when one compares the incidence of urban hardship as measured by a variety of single indicators for the most distressed places with other communities, their incidence of distress is generally higher and the direction of change over the past decade indicates that their needs have increased. The jurisdictions in the better-off quintiles have both lower levels of distress and declining incidence of need.

Summary Analysis

In sum, the gap between our most distressed and better-off communities is widening. In addition, there is a disturbing connection between urban distress as a whole and the problem of minority poverty impaction in many of our older cities in the Northeast and North Central regions. This last point is shown in Table 3, which is a new table prepared just for this testimony. It gets at a politically very sensitive, and we believe critical, reality of American urban conditions in the eighties. The cities which have the worst hardship conditions are also the cities which have very high levels of minority poverty impaction.

It is hard to be optimistic, but there is one positive aspect in this picture that we would like to comment on briefly. We believe that the current mood of hard questioning about the capability of governmental institutions to solve stubborn and acute urban problems has its good side. It has caused a much more serious focus on governmental institutions. It is not enough for government to know what it wants to do; government must be able to make it happen. Interest in the execution of public programs has risen on the agenda in the eighties. Our research on federal aid policies during the Reagan period indicates that, especially at the state level, this new concern about how to do things is beginning to pay off.

State welfare officials throughout the nation are hard at work to convert systems that support people financially into systems that prepare them for jobs. Remedial education, job training and child care services, which obligate the heads of welfare families that receive them to accept available work (something, research shows, they want to do), is the theme of major welfare reform efforts underway in California, New Jersey, Michigan, Massachusetts and Pennsylvania, among other states.

In a similar vein, the education reform movement is today much more focused on implementation. State governments are again in the lead, taking steps to extend pre-kindergarten education, improve teachers' salaries, reward teaching skill and place greater emphasis on educational basics and performance.

The Distribution of Grants

We focus next on formula responses under grant-in-aid programs intended to alleviate community distress. Your letter inviting us to testify asks about the effects of the general revenue sharing program and particularly the effects of eliminating it for governments with high unemployment and low tax bases. We know your concern applies both to urban communities and rural communities affected by the current, very weak economy of American agriculture.

The revenue sharing program was adopted at a time when the budget squeeze was not as acute as it is now. It was part of a system of initiatives in the seventies that, particularly in the case of the CDBG program, did target federal aid for some purposes on the most distressed places.

As we have said, we believe the targeting principle is the key to the appropriate federal role in the intergovernmental fiscal system. This principle is all the more critical in times of stringency such as in the present period. In this context, regretably, we have more bad news to report. A recent study conducted at Cleveland State University, with the assistance of Michael Rich of Brown University, shows that the best targeted program of the Nixon New Federalism period is degenerating in terms of its targeting capability. We refer to the CDBG program. The data show that the better-off jurisdictions are tending to get more money while the more distressed jurisdictions get a smaller share of a shrinking pie. (See Table 4 for illustrations.)

Mr. Chairman, we ask that the study referred to above on the CDBG program focusing on the deterioration of its targeting properties be inserted in the record.

Not only is this piece of bad news about the CDBG program part of the backdrop for these hearings, but as you know another well-targeted program, one that was initiated under President Carter, has been sharply reduced under President Reagan. We refer to the Urban Development Action Grant or UDAG program. At its peak, it was funded at $625 million annually. It is now sputtering in federal fiscal terms at about $225 million, and when last seen seemed in line for further cuts. Further, even if the program survives at the current level, there is a likelihood that the funds will be spread more thinly by a pending proposal to expand eligibility for funds.

Our research at Princeton, which is still going on, suggests that the UDAG program not only helped the most needy places, including many small communities, but that it set up a competitive process that stimulated cooperative arrangements between governments and businesses to undertake development projects to create jobs in distressed areas. We were surprised at how well this program worked in so many places. It was legislated without much fanfare. However, UDAG has served effectively as a catalyst for the kind of commitment and cooperation that seem to make a difference in many places, although this point is hard to establish in research. It is necessary to do such studies over a long period of time.

We will not go into detail on the study of the distribution of federal aid under the CDBG program, but will instead draw on some of the main lessons of this reserach for the next generation of federal grant reform strategies.

Looking Ahead

Revenue sharing is gone. Distressed places especially faced hard problems when it was ended, as your hearings have shown. Fortunately, the demise of general revenue sharing came at a time of relatively strong performance for the economy and at a time when state governments increasingly have been taking initiatives in domestic affairs. We also note that because revenue sharing was a "no-growth" program for many years, it came to play a decreasing role in the overall fiscal picture of local governments. Nevertheless, for governments under fiscal pressure, the loss of general revenue sharing punctured a hole in the local budget.

Mr. Chairman, in the field of federal aid formula studies, our view is that before you set up a new formula, you need to look hard at our experience under existing and previous formulas. The anti-recession fiscal assistance (ARFA) program, CDBG, UDAG, and general revenue sharing all provide valuable grist for your legislative mill as we look ahead to the next generation of hopefully better targeted federal aid instruments. As the study mentioned above shows, the targeting effect of the CDBG program has deteriorated for several reasons. New data from the 1980 census has diluted some targeting features of the CDBG formula. The addition of new Standard Metropolitan Statistical Areas by the Office of Management and Budget has had the same effect. Also, the reduction in the allocation of the entitlement portion of this grant (the formula part of the CDBG allocated to larger communities) from 80 percent to 70 percent has had a similar and further targeting-diluting effect. And the evidence shows that the bulk of the funds in the state-administered small cities block grant is being spread out in the form of relatively small grants to many places.

To pull a number of points together, at the very time we are talking about the problems of community distress, they are worsening. Our data show this for cities. We know your staff has made similar observations for rural communities. And to add to this bad news, in this same period, the targeting properties of existing federal aid programs are diminishing.

Not a pretty picture! And yet there is more. The budget pressure cooker in Washington, with so many people trying to keep the lid on domestic spending, makes it hard to see how change can be made in the relatively near term.

We agree with you, however, that if there are going to be changes in the federal aid system, policy makers have got to start working now on the strategies, concepts, and techniques for doing so.

There are several choices:

One is to establish a special targeted fiscal assistance program like ARFA, along lines similar to that proposed by the Evans-Robb Committee on

Federalism and National Purpose. (See "To Form a More Perfect Union," National Conference on Social Welfare, Dec. 1985.)

A second option is to operate on the CDBG program, which is currently up for renewal, although we are told consideration is likely to be given to restructuring it over the next two or three years.

We see these options as coming together. Let us explain.

The approach we think you should consider is to have targeted fiscal assistance be an add-on to CDBG. This could be done on a basis that solves the current problem of the dimunition of the targeting features of the CDBG program. For illustrative purposes, we discuss a $1.25 billion eventual targeted add-on to the current CDBG program on an urban-rural combined basis that, in effect, converts these programs into a New-New Federalism system. (The amount could of course vary.) Perhaps we should call this approach "brand new federalism."

The CDBG program, as it currently operates, distributes what is known as entitlement aid to more than 800 cities and urban counties. These jurisdictions would continue to get their aid. There would simply be an add-on to the most needy jurisdictions, with the add-on to be distributed by a formula that would be a variant of "Formula B" of the existing dual formula system for the CDBG program. A $1 billion add-on to the basic CDBG program would increase total funding by roughly 40 percent. We propose that the range of increases be 25 to 50 percent with the neediest communities getting an increase at the higher end of that range. We are not prepared to propose today a specific formula distribution system, although we would be happy to develop one. We want to emphasize two points: the add-on would be confined to a much smaller number of eligible communities than receive CDBG funds currently; and the targeting idea would be applied to these additional funds.

What we would do, and the study submitted for the record moves in this direction, is have this add-on be limited to places that are truly needy. To do this, we propose using the UDAG criteria or some modification as the threshold for the add-on entitlement. Using a UDAG threshhold would admit 411 places, and this includes some that are very large, such as Detroit, Memphis, and Los Angeles, as well as some smaller places.

There is also the problem, and you have called attention to this quite properly, of increased distress in rural areas. These smaller places are now aided under the CDBG small cities block grant, which is a formula grant to the states that they in turn allocate as they see fit to small communities. We noted earlier that the tendency for states is to spread the money in a way that makes it difficult to have a significant impact in many communities.

We propose adding $250 million to this small cities block grant (now at about $900 million) with the stipulation that this add-on be targeted on distressed small places by state governments. We are prepared to discuss the standards and procedures as to how this might be done.

The point is that we want urge a system's approach building targeting aid on existing programs in a way that would have very good brand new federalism features. This should be done not as a way of using targeting to cut the budget, but rather as a positive policy to aid our most needy communities.

Another feature of such a policy which would be desirable would be an automatically triggered anti-recession component. This would be a further add-on, which, for example, might be a 50 percent special supplement like ARFA to distressed places. The nice thing about providing such countercyclical aid on an automatic basis (authorizing it subject to its not being voted down or vetoed) is that it gets the job done on time. The history of anti-recession aid is almost a joke in these terms. The aid tends to get going just when the economy is heating up and recovery is well underway so that if anything it fuels inflation rather than aids recovery.

Mr. Chairman, these are issues and ideas for your consideration based on our research. They are presented here on a quite informal basis to serve as a starting point for discussion. We hope this testimony will be helpful. We would be pleased to provide additional information that would be helpful to the Subcommittee on the points made in this testimony.

Mr. Nathan and Mr. Dommel express appreciation to Jonathan E. Jacobson for his help in preparing this statement.

Table 1. Distribution of Most and Least Distressed Jurisdictions, Urban Conditions Index, 1970 and 1980, by Population Size, Region, and Type of Jurisdiction

		Urban Conditions Index, 1970					Urban Conditions Index, 1980			
		Most Distressed		Least Distressed			Most Distressed		Least Distressed	
	N	Number	Percent	Number	Percent	N	Number	Percent	Number	Percent
POPULATION SIZE, 1982										
Greater than 1 Million	10	4	40.0	2	20.0	10	4	40.0	1	10.0
500,000 - 1 Million	39	6	15.4	16	41.0	39	7	17.9	14	35.9
250,000 - 499,999	80	10	12.5	18	22.5	81	13	16.0	17	21.0
100,000 - 249,999	160	21	13.1	37	23.1	163	28	17.2	34	20.9
50,000 - 99,999	273	49	17.9	63	23.1	305	52	17.0	77	25.2
25,000 - 49,999	171	52	30.4	15	8.8	173	48	27.7	17	9.8
Less than 25,000	43	13	30.2	4	9.3	43	10	23.3	3	7.0
REGION*										
Northeast	170	71	41.8	5	2.9	197	89	45.2	9	4.6
North Central	201	30	14.9	38	18.9	205	45	22.0	31	15.1
South	217	43	19.8	46	21.2	219	22	10.0	49	22.4
West	176	6	3.4	65	36.9	181	6	3.3	70	38.7
Puerto Rico	12	5	41.7	1	8.3	12	0	0.0	4	33.3
TYPE OF JURISDICTION										
Central Cities	501	142	28.3	40	8.0	504	141	28.0	44	8.7
Suburban Cities	168	11	6.5	73	43.5	203	19	9.4	85	41.9
Urban Counties	107	2	1.9	42	39.3	107	2	1.9	34	31.8

N 1970 = 776
N 1980 = 814

* Classification based on U.S. Bureau of the Census regional divisions.

Table 2. Mean Level of Distress Among CDBG Entitlement Jurisdictions on Selected Community Development Need Indicators by Urban Codditions Index Quintiles <1980>.

		Urban Conditions Index Quintiles, 1980 <-- Worst Off				--Best Off -->	
	N	FIRST	SECOND	THIRD	FOURTH	FIFTH	TOTAL
Urban Conditions Index, 1970*	776	271	146	89	38	10	114
Urban Conditions Index, 1980	814	353	138	66	29	7	118
Percent Population Change, 1960-70	808	-3.8	14.8	28.2	44.0	144.2	44.8
Percent Population Change, 1970-80	814	-9.8	.4	8.9	20.2	47.5	13.4
Percent Employment Change, 1967-72**	457	11.1	5.7	8.6	13.1	11.3	9.7
Percent Employment Change, 1972-77	459	-17.4	6.2	19.9	25.9	48.6	10.9
Unemployment Rate, 1970	528	5.6	6.7	7.2	9.6	7.9	7.1
Unemployment Rate, 1980	722	9.3	6.7	6.0	6.1	5.1	6.7
Per Capita Income, 1969	723	3013	3212	3263	3378	3616	3292
Per Capita Income, 1979	627	6360	7243	7409	7802	8851	7438
Net Real Change, 1969-79***	627	184	396	507	589	757	462
Percent Poverty, 1970	814	14.2	14.4	13.5	9.2	8.0	11.9
Percent Poverty, 1980	814	16.9	14.6	13.5	9.0	8.1	12.4
Percent Overcrowded Housing, 1970	734	7.1	7.9	7.8	7.2	7.4	7.5
Percent Overcrowded Housing, 1980	744	4.1	4.3	4.7	5.6	4.0	4.6
Percent Aged Housing, 1970	779	67.6	46.8	32.2	21.1	7.4	35.8
Percent Aged Housing, 1980	814	53.6	32.5	20.8	13.0	3.9	24.8

Sources: U.S. Bureau of the Census, censuses of population, housing, manufactures, and retail trade.

* See footnote 2 for discussion of Urban Conditions Index computation.

** Change in manufacturing and retail trade employment.

*** Base year = 1967.

Table 3. Index of Central City Hardship and Minority (Black and Hispanic) Poverty Impaction, 1980.

Central City (1)	Hardship Index (2)	Percent of Minority Poor in Pov. Areas (3)	Minority Poor in Pov. Areas as Percent of Total Population (4)
1. Newark	594	92.65%	26.97%
2. Cleveland	428	88.27%	13.03%
3. Baltimore	372	88.11%	15.12%
4. Chicago	357	82.56%	13.16%
5. Detroit	344	78.36%	13.59%
6. New York	334	85.82%	12.19%
7. Gary	318	67.47%	11.92%
8. Saint Louis	299	92.34%	14.34%
9. Dayton	293	78.27%	9.01%
10. Rochester	290	80.84%	7.94%
11. Atlanta	289	88.93%	20.77%
12. Philadelphia	286	89.44%	12.40%
13. Milwaukee	286	79.37%	6.24%
14. Buffalo	259	87.19%	9.30%
15. Boston	251	80.74%	7.38%
16. San Jose	243	29.65%	1.10%
17. Richmond	236	79.52%	11.52%
18. Springfield	234	89.05%	8.61%
19. Akron	233	71.26%	4.42%
20. Ft. Worth	231	67.52%	5.84%
21. Miami	219	79.75%	17.31%
22. Denver	214	63.56%	4.62%
23. New Orleans	204	91.30%	19.46%
24. Birmingham	202	81.50%	14.40%
25. Louisville	202	84.94%	8.51%
26. Cincinnati	195	85.08%	9.74%
27. Providence	195	90.88%	5.63%
28. Sacramento	192	60.31%	3.88%
29. Kansas City	191	81.02%	5.83%
30. Grand Rapids	184	76.99%	4.24%
31. Jersey City	173	75.96%	11.35%
32. Toledo	163	83.74%	5.07%
33. Omaha	158	71.50%	3.03%
34. Pittsburgh	157	86.77%	7.01%
35. Syracuse	154	86.12%	5.06%
36. Indianapolis	152	60.87%	3.16%
37. Columbus	144	78.74%	4.92%
38. San Francisco	144	57.49%	2.99%
39. Dallas	140	74.27%	7.24%
40. Portland	135	58.76%	1.55%
41. Minneapolis	134	73.74%	1.96%
42. Oklahoma City	120	69.88%	2.96%

Central City (1)	Hardship Index (2)	Percent of Minority Poor in Pov. Areas (3)	Minority Poor in Pov. Areas as Percent of Total Population (4)
43. Norfolk	119	89.32%	12.13%
44. Los Angeles	116	74.53%	8.26%
45. Tampa	114	82.84%	9.21%
46. Houston	111	57.60%	5.34%
47. Phoenix	93	71.43%	3.24%
48. Seattle	87	42.88%	1.11%
49. Salt Lake City	82	51.18%	1.18%
50. Ft. Lauderdale	78	77.67%	6.12%
51. San Diego	66	60.69%	3.08%
52. Greensboro	41	75.19%	5.70%

Sources:

Fowler, Ronald R., "The Dynamics of Urban Hardship: An Update of the Nathan-Adams City-Suburban Disparity Index," in *Proceedings*. Columbus: Ohio State University School of Public Administration, 1987.

U.S. Department of Commerce, Bureau of the Census, *U.S. Census of Population, 1980: Subject Reports: Poverty Areas in Large Cities* (PC 80-2-8D). Washington, D.C.: Government Printing Office, February 1985. See Table 1, "Poverty Status in 1979 and Other Selected Characteristics of Persons, Families, and Occupied Housing Units in Census Tracts Classified by Alternate Poverty Rates: 1980."

Table 4 Change in CDBG Entitlement Allocations, 1980-1985: Top Winners and Losers. (Dollar Amounts in Thousands)

City	Urban Conditions Index 1970	Urban Conditions Index 1980	CDBG Grant 1980	CDBG Grant 1985	Net Change 1980-1985	Percentage Change 1980-1985
WINNERS:						
Los Angeles, CA	100	117	56,855	65,365	8,510	15.0
Nassau County, NY	29	43	10,477	13,682	3,205	30.6
Dade County, FL	9	9	14,636	17,544	2,908	19.9
Miami, FL	144	180	11,376	14,040	2,664	23.4
Hialeah, FL	5	10	2,241	4,514	2,273	101.4
Harris County, TX	4	3	3,946	6,107	2,161	54.8
Santa Ana, CA	30	30	3,023	4,548	1,525	50.4
Essex County, NJ	52	86	4,811	5,973	1,162	24.2
Carolina, PR	17	13	4,983	5,682	699	14.0
El Monte, CA	21	60	1,551	2,217	666	42.9
South Gate, CA	66	69	928	1,594	666	71.8
Inglewood, CA	29	61	1,276	1,929	653	51.2
Oxnard, CA	13	7	1,624	2,203	579	35.7
Provo, UT	101	85	1,251	1,790	539	43.1
Anaheim, CA	6	6	2,264	2,713	449	19.8
LOSERS:						
New York, NY	241	380	259,948	211,646	-48,302	-18.6
Chicago, IL	271	410	128,436	99,301	-29,135	-22.7
Detroit, MI	269	481	64,138	49,715	-14,423	-22.5
Philadelphia, PA	290	489	71,955	60,923	-11,032	-15.3
Cleveland, OH	395	606	39,293	28,816	-10,477	-26.7
St. Louis, MO	474	668	35,184	25,996	-9,188	-26.1
San Juan, PR	222	170	23,762	15,450	-8,312	-35.0
San Francisco, CA	254	276	28,728	21,355	-7,373	-25.7
Baltimore, MD	304	470	33,808	26,814	-6,994	-20.7
Pittsburgh, PA	351	451	26,044	19,587	-6,457	-24.8
New Orleans, LA	372	353	22,154	16,020	-6,134	-27.7
Minneapolis, MN	237	306	19,968	14,616	-5,352	-26.8
Milwaukee, WI	172	224	22,794	17,684	-5,110	-22.4
Buffalo, NY	395	706	24,249	19,298	-4,951	-20.4
Memphis, TN	96	104	17,463	12,703	-4,760	-27.3

Source: Calculations based on data obtained from U.S. Department of Housing and Urban Development, Office of Community Planning and Development, Division of Data Systems and Statistics.

See footnote 2 for discussion of Urban Conditions Index computation.

Appendix A

Summary on Large Cities

Poverty Concentration

1970-80

For the 1970 Census, the Census Bureau published a report on population characteristics of the nation's 50 largest cities. For 1980, the Bureau issued a similar report on the 100 largest cities. We use the same 50 cities that are included in the 1970 report to compare poverty conditions in 1970 and 1980.

Altogether, these 50 cities lost population (-5.1%) from 1970 to 1980. But their poverty population grew by 11.7%. And the concentrated poverty population grew by 30.5%. This term refers to poor people in Census tracts with more than 20% poverty.

The white poverty population of these cities declined and the black poverty population rose, i.e., -18.3% vs. +18%.

The black poverty population in poverty areas rose more than the over-all black poverty population; it rose by 22.6%. Moreover, in extreme poverty areas (our term for Census tracts with more than 40% poverty), the total poverty population grew by 65.9%; the black poverty population in extreme poverty areas grew by 58.6%.

Table enclosed

POVERTY DATA FOR 50 LARGEST CENTRAL CITIES, 1970, 1980

	1970	1980	Percent change 1970-80
Population	39,827,807	37,815,907	-5.1%
Population below poverty	6,005,673	6,708,464	11.7%
Percent population below poverty	15.1%	17.7%	
Poor in poverty areas . (20 % or))	3,371,309	4,398,621	30.5%
Percent population that is poor and in poverty areas	8.5%	11.6%	
Percent of poor in poverty areas	56.1%	65.6%	
White poor (Hisp incl)	3,217,228	2,629,498	-18.3%
White poor as percentage of population	8.1%	7.0%	
White poor as percentage of poverty population	53.6%	39.2%	
White poor in poverty areas	1,175,755	1,106,166	-5.9%
Concentration of white poor in poverty areas	36.5%	42.1%	
Black poor (Hisp incl)	2,662,077	3,140,292	18.0%
Black poor as percentage of population	6.7%	8.3%	
Black poor as percentage of poverty population	44.3%	46.8%	
Black poor in poverty areas	2,138,470	2,621,058	22.6%
Concentration of black poor in poverty areas	80.3%	83.5%	
Total poor in extreme poverty areas--40% or)	974,489	1,613,875	65.6%
White poor in extreme poverty areas	256,805	260,884	1.6%
Black poor in extreme poverty areas	708,853	1,124,344	58.6%

[illegible] Largest Cities Percentage Poverty, Change 1970-1980

A-3

City	Percent Pop Below Pov 1970	Percent Pop Below Pov 1980	Increment % Point Change 1970-80
Newark, N.J	22.3%	32.8%	10.5%
Atlanta, Ga	20.5%	27.5%	7.0%
Detroit, Mich.	14.9%	21.9%	7.0%
Chicago, Ill.	14.5%	20.3%	5.8%
Buffalo, N.Y.	15.4%	20.7%	5.3%
Philadelphia, Pa.	15.4%	20.6%	5.2%
New York, N.Y.	14.8%	20.0%	5.1%
Rochester, N.Y.	12.5%	17.5%	5.0%
Cleveland, Oh.	17.4%	22.1%	4.7%
Baltimore, Md.	18.4%	22.9%	4.5%
Miami, Fla.	20.3%	24.5%	4.2%
Boston, Mass.	16.2%	20.2%	4.0%
Los Angeles, Calif.	13.3%	16.4%	3.2%
Toledo, Oh.	10.9%	13.6%	2.7%
TOTAL 50 CITIES	15.1%	17.7%	2.7%
Columbus, Oh.	14.0%	16.5%	2.4%
Milwaukee, Wis.	11.5%	13.8%	2.3%
Long Beach, Calif.	11.9%	14.2%	2.3%
Louisville, Ky.	17.1%	19.3%	2.2%
Cincinnati, Oh.	17.6%	19.7%	2.1%
Oakland, Calif.	16.5%	18.5%	2.0%
Indianapolis, Ind.	9.7%	11.5%	1.9%
Washington, D.C.	16.9%	18.6%	1.7%
St. Louis, Mo.	20.2%	21.8%	1.6%
Minneapolis, Minn.	12.2%	13.5%	1.3%
St. Paul, Minn.	9.6%	10.9%	1.2%
Memphis, Tenn.	20.8%	21.8%	1.1%
Honolulu, Haw.	9.0%	10.0%	1.0%
Omaha, Neb.	10.4%	11.4%	1.0%
Pittsburg, Pa	15.6%	16.5%	0.9%
Seattle, Wash.	10.4%	11.2%	0.7%
Norfolk, Va.	20.0%	20.7%	0.7%
El Paso, Tex.	20.6%	21.2%	0.6%
Dallas, Tx.	13.6%	14.2%	0.5%
San Diego, Calif.	12.3%	12.4%	0.2%
Kansas City, Mo.	13.0%	13.2%	0.2%
Fort Worth, Tex.	13.8%	13.9%	0.1%
Portland, Ore.	13.0%	13.0%	0.0%
Denver, Colo.	13.7%	13.7%	-0.0%
Tampa, Fla.	18.8%	18.7%	-0.1%
San Francisco, Calif.	14.1%	13.7%	-0.3%
Phoenix, Ariz.	11.6%	11.1%	-0.5%
New Orleans, La.	27.0%	26.4%	-0.6%
San Jose, Calif.	8.8%	8.2%	-0.6%
San Antonio, Tex.	21.7%	20.9%	-0.8%
Birmingham, Ala.	23.0%	22.0%	-1.0%
Nashville-Davidson, Tenn.	13.7%	12.6%	-1.1%
Jacksonville, Fla.	17.5%	16.0%	-1.5%
Houston, Tex.	14.2%	12.7%	-1.5%
Tulsa, Okla.	12.2%	10.4%	-1.8%
Oklahoma City, Okla.	14.3%	12.0%	-2.3%

Sources: U.S. Census of Population, 1980: Subject Reports: Poverty Areas in Large Cities (PC 80-2-8D). Washington, D.C.: Government Printing Office, 1985. Table 1. "Poverty Status in 1979 and Other Selected Characteristics of Persons, Families, and Occupied Housing Units in Census Tracts Classified by Alternate Poverty Rates: 1980."

U.S. Census of Population, 1970: Subject Reports: Low-Income Areas in Large Cities (PC(2)-9B). Washington, D.C.: Government Printing Office, June 1973. Table 1. "Characteristics of the Population and Housing Units in Census Tracts Classified by Alternate Poverty Rates: 1970." Table 6. "Persons by Family Status and Age and Families by Income Deficit in Census Tracts with a Poverty RAte of 20 Percent or More: 1970."

Richard P. Nathan
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20 OCT 85   URBAN CONDITIONS INDEX SCORES, RANK ORDERED
16:29:31    BROWN UNIVERSITY COMPUTER CTR  IBM 3081 MODEL D OS/VS1

PLACE                     UCI80 UCI70   POP82  POP7082 PCTPOV80 PCTAGE80

CAMDEN, NJ                  793   451   83942   -18.15    36.83    50.36
BENTON HARBOR, MI           761   603   14211   -13.77    39.88    47.01
BUFFALO, NY                 706   395  348035   -24.79    20.77    73.03
EAST ST. LOUIS, IL          693   580   53381   -23.93    44.54    33.83
ST. LOUIS, MO               668   474  437354   -29.71    22.14    60.61
NEWARK, NJ                  665   435  320512   -16.08    33.60    47.46
NEWBURGH, NY                638   530   23570   -10.10    25.87    63.33
ATLANTIC CITY, NJ           620   493   37857   -20.90    25.45    55.10
HARRISBURG, PA              606   476   52501   -22.86    23.44    57.00
CLEVELAND, OH               606   395  558869   -25.57    22.34    57.67
CHESTER, PA                 586   405   44987   -20.14    25.45    52.53
WILMINGTON, DL              549   489   69896   -13.05    24.36    55.98
TRENTON, NJ                 548   391   91381   -12.79    20.89    65.32
JOHNSTOWN, PA               543   436   34088   -19.75    17.11    72.77
JERSEY CITY, NJ             527   308  222881   -14.39    21.13    61.00
UNION CITY, NJ              521   262   56931     -.65    23.44    63.04
PROVIDENCE, RI              512   452  155717   -13.06    19.23    66.11
MUSKEGON HEIGHTS, MI        498   349   14091   -18.57    26.67    43.47
READING, PA                 498   327   78772   -10.12    16.81    76.10
PASSAIC, NJ                 498   297   53342    -3.23    23.17    59.44
PATERSON, NJ                497   310  138986    -4.03    24.96    54.65
WILLIAMSPORT, PA            492   396   32717   -13.72    16.39    74.04
AUGUSTA, GA                 492   494   46449   -22.41    30.09    36.22
ELMIRA, NY                  491   432   34183   -14.42    16.64    72.14
PHILADELPHIA, PA            489   290 1665382   -14.60    20.46    58.38
BOSTON, MA                  482   348  560847   -12.51    19.12    62.96
DETROIT, MI                 481   269 1139526   -24.74    22.70    45.63
YORK, PA                    475   346   44607   -11.38    17.19    69.97
BALTIMORE, MD               470   304  774113   -14.54    22.80    50.32
TROY, NY                    468   318   55669   -11.52    16.94    69.79
UTICA, NY                   467   310   73722   -19.32    16.58    64.96
HOLYOKE, MA                 458   320   43446   -13.30    19.39    58.57
HARTFORD, CT                457   305  136334   -13.72    24.05    46.85
BRIDGETON, NJ               457   258   18711    -8.44    22.74    52.53
JACKSON, MI                 454   305   38514   -15.32    16.08    68.38
COVINGTON, KY               453   389   48319   -12.48    17.45    64.90
PITTSBURGH, PA              451   351  414936   -20.22    16.22    63.33
ROCHESTER, NY               441   279  244094   -17.26    16.63    62.70
YOUNGSTOWN, OH              440   298  111465   -20.90    18.62    53.38
NEW HAVEN, CT               436   342  125348    -8.97    21.56    52.64
BINGHAMTON, NY              435   312   54777   -14.58    15.29    69.41
LAWRENCE, MA                433   259   64218    -4.03    18.78    63.26
SAGINAW, MI                 433   255   75377   -17.93    21.02    48.31
SYRACUSE, NY                427   283  166187   -15.77    17.62    58.37
CUMBERLAND, MD              422   390   25233   -15.11    15.20    67.37
ERIE CO., NY                419   246  242212   -10.40    24.81    43.23
MCKEESPORT, PA              418   364   29974   -21.07    14.81    63.69
EASTON, PA                  418   379   26060   -11.51    14.20    74.35
ALBANY, NY                  413   300  100048   -13.59    16.41    62.16
CHICAGO, IL                 410   271 2997155   -11.05    20.11    51.84
SCRANTON, PA                403   291   85950   -16.31    12.86    74.89
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20 OCT 85   URBAN CONDITIONS INDEX SCORES, RANK ORDERED
16:29:31    BROWN UNIVERSITY COMPUTER CTR  IBM 3081 MODEL D OS/VS1

PLACE                  UCI80 UCI70   POP82  POP7082 PCTPOV80 PCTAGE80

LANCASTER, PA            399   335   55518    -3.76    16.08    68.20
SCHENECTADY, NY          394   231   67614   -13.27    13.97    69.88
WILKES-BARRE, PA         393   347   50677   -13.90    13.25    72.91
BERKELEY, CA             392   280  103479    -9.30    19.35    52.54
DAYTON, OH               387   204  188499   -23.64    21.10    40.00
SOMERVILLE, MA           383   249   76825   -13.46    12.16    77.96
NEW YORK, NY             380   241 7086096   -10.25    19.75    49.38
POUGHKEEPSIE, NY         377   317   29638    -7.47    16.84    59.21
EAST CHICAGO, IN         374   316   38458   -18.14    17.26    50.67
ASBURY PARK, NJ          374   397   16773     1.45    26.49    40.88
CINCINNATI, OH           373   302  380118   -16.18    19.28    46.29
NEW BEDFORD, MA          371   332   98912    -2.81    15.84    65.00
LYNN, MA                 367   243   79258   -12.22    13.43    68.48
NEW BRUNSWICK, NJ        366   197   40936    -2.27    19.85    51.46
FALL RIVER, MA           357   317   93128    -3.89    14.48    67.72
BRIDGEPORT, CT           355   187  143745    -8.17    19.80    47.05
MUSKEGON, MI             355   234   39995   -10.39    18.71    48.52
NEW ORLEANS, LA          353   372  564561    -4.87    25.54    37.54
PORTLAND, ME             349   333   61341    -5.80    15.00    62.64
PERTH AMBOY, NJ          348   218   38962      .42    17.84    55.95
GLEN FALLS, NY           346   300   16078    -6.64    12.63    73.14
ALTOONA, PA              346   344   55857   -11.50    12.28    71.41
SHARON, PA               346   259   17632   -22.16    12.30    62.59
HAGERSTOWN, MD           346   286   33310    -7.12    16.09    57.00
LOUISVILLE, KY           345   264  293531   -18.85    19.17    41.72
SPRINGFIELD, OH          345   214   71344   -12.93    17.23    49.74
HUDSON CO., NJ           344   185  213105    -8.03    15.35    58.83
CAMBRIDGE, MA            340   298   93841    -6.50    13.42    67.72
BAY CITY, MI             339   224   40834   -17.42    13.29    60.12
MOUNT VERNON, NY         336   189   66168    -9.08    14.51    60.19
CANTON, OH               336   226   90868   -17.43    15.71    50.44
LIMA, OH                 320   200   46909   -12.70    16.80    47.57
SPRINGFIELD, MA          319   230  151586    -7.52    17.35    48.59
WORCESTER, MA            316   211  161049    -8.79    13.55    60.73
NIAGARA FALLS, NY        315   218   68454   -20.04    14.12    50.98
TERRE HAUTE, IN          315   260   60297   -14.27    12.58    61.29
WHEELING, WV             312   352   42609   -11.58    12.52    63.07
BANGOR, ME               310   330   31375    -5.41    13.76    60.94
HUNTINGTON, WV           310   380   62090   -16.45    14.89    49.67
LEBANON, PA              309   231   26251    -8.12    11.89    68.28
MINNEAPOLIS, MN          306   237  369161   -15.02    13.03    56.95
FITCHBURG, MA            305   195   39843    -8.08    12.21    65.51
ELIZABETH, NJ            303   192  106803    -5.19    16.59    49.43
PORT HURON, MI           301   228   33539    -6.30    16.01    50.34
WOONSOCKET, RI           300   286   45297    -3.25    14.22    58.38
WASHINGTON, DC           294   207  633425   -16.29    17.95    39.17
LONG BRANCH, NJ          285   148   29676    -6.60    19.51    39.03
NEW LONDON, CT           282   225   29338    -7.25    14.82    50.39
KALAMAZOO, MI            278   194   79146    -7.49    17.48    42.11
EAST ORANGE, NJ          278   209   76761     1.71    19.88    40.68
SAN FRANCISCO, CA        276   254  691637    -3.36    13.22    57.69
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20 OCT 85   URBAN CONDITIONS INDEX SCORES, RANK ORDERED
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PLACE                    UC180 UC170   POP82  POP7082 PCTPOV80 PCTAGE80

HAZLETON, PA               274   240   26560   -12.71     9.89    69.11
LOWELL, MA                 273   221   92774    -1.55    13.00    59.17
AUBURN, ME                 272   225   22945    -4.99    12.23    60.35
STEUBENVILLE, OH           272   262   25510   -17.10    14.26    45.12
AKRON, OH                  270   189  231659   -15.89    15.08    42.97
OAKLAND, CA                269   235  344652    -4.68    17.89    40.99
ERIE, PA                   267   213  118493    -8.33    13.14    53.25
FLINT, MI                  265   153  154019   -20.33    17.26    35.01
MIDDLETOWN, NY             264   253   21766    -3.72    13.38    54.28
DULUTH, MN                 264   238   90311   -10.21    11.92    56.78
BURLINGTON, VT             264   201   37737    -2.32    13.81    53.29
KANKAKEE, IL               263   145   29317    -5.26    17.73    40.22
SALEM, MA                  256   208   38199    -5.81    10.26    67.29
RICHMOND, VA               248   186  218237   -12.47    18.43    33.63
ASHLAND, KY                247   227   26450   -12.95    15.23    40.37
PARKERSBURG, WV            241   210   39477   -10.70    14.17    43.34
BIRMINGHAM, AL             239   291  283239   -10.08    21.98    27.98
PAWTUCKET, RI              239   225   71829    -6.70    11.48    55.46
BESSEMER, AL               239   301   31257    -7.15    25.73    24.61
LEWISTON, ME               238   223   40029    -4.19    12.80    50.97
GRAND RAPIDS, MI           238   182  182774    -7.53    12.80    49.11
NORRISTOWN, PA             238   174   34710    -9.06    11.11    55.56
NORWICH, CT                234   162   38526    -7.70    12.17    50.78
PITTSFIELD, MA             234   135   50615   -11.23    10.46    56.80
ASHEVILLE, NC              234   241   53717   -12.68    17.03    34.25
LA CROSSE, WI              231   203   48151    -4.25    12.99    48.75
CHARLESTON, SC             231   309   70776     5.72    20.29    34.42
BAYONNE, NJ                231   183   64176   -11.78     9.64    60.30
GARY, IN                   230   169  147537   -21.69    20.82    24.68
SUPERIOR, WI               229   287   29440    -8.68    10.23    58.40
MUNCIE, IN                 226   147   75510   -10.93    16.36    35.16
ALLENTOWN, PA              225   165  104324    -5.05    11.21    54.56
ATLANTA, GA                224   161  428153   -13.51    26.35    21.04
MILWAUKEE, WI              224   172  631509   -11.97    13.53    41.70
MARIETTA, OH               224   282   16713     -.88    11.43    55.48
HAVERHILL, MA              224   200   47165     2.27    10.13    64.61
GLOUCESTER; MA             222   169   27855     -.31     9.89    65.36
WATERBURY, CT              220   159  102940    -4.71    13.85    43.23
CICERO, IL                 220   124   61115    -8.86     8.88    64.44
PONTIAC, MI                219   158   73156   -14.22    17.83    30.16
NORTHAMPTON, MA            219   118   29128    -1.81    10.97    56.08
ST. JOSEPH, MO             218   264   75572    -3.40    11.64    51.63
TOLEDO, OH                 217   138  350565    -8.48    13.55    41.81
PORTLAND, OR               216   189  366968    -4.02    12.77    46.42
ANNISTON, AL               215   319   30278    -3.98    22.59    26.10
SAN BERNADINO, CA          214    77  124319    13.84    14.96    46.62
MALDEN, MA                 214   172   53280    -5.07     9.31    62.37
IRVINGTON, NJ              213   155   62405     4.46    14.38    44.18
WILMINGTON, NC             212   258   44669    -3.25    23.27    25.24
BATTLE CREEK, MI           209   333   55520    42.61    12.77    66.78
ST. PAUL, MN               209   158  270443   -12.72    10.51    49.51
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20 OCT 85   URBAN CONDITIONS INDEX SCORES, RANK ORDERED
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PLACE                      UC180 UC170    POP82  POP7082 PCTPOV80 PCTAGE80

WARREN, OH                   208   115    55778   -12.15    13.93    37.51
SALT LAKE CITY, UT           203   211   163859    -6.84    13.79    39.14
NEW BRITAIN, CT              202   124    73362   -12.08    11.43    44.42
MEDFORD, MA                  201   135    57850   -10.17     7.40    69.75
SOUTH BEND, IN               200   140   107690   -15.42    12.11    39.97
SIOUX CITY, IA               200   198    82095    -4.46    11.04    49.35
CHARLESTON, WV               198   326    61991   -13.31    12.76    38.47
HAMILTON, OH                 197   175    63887    -5.86    13.13    40.45
JOPLIN, MO                   196   257    39449      .49    14.27    39.37
BROOKLINE, MA                195   146    54205    -7.64     9.52    54.21
ROCK ISLAND, IL              195   167    46623    -7.06    11.85    43.77
PETERSBURG, VA               192   254    40234    -8.98    20.43    24.45
KANSAS CITY, MO              190   163   445222   -12.24    13.02    36.55
GADSEN, AL                   185   206    47030   -12.79    18.30    25.23
MANSFIELD, OH                184   133    52915    -8.69    13.20    36.37
GALVESTON, TX                184   284    62667     1.39    15.34    34.71
ANDERSON, SC                 180   299    27639      .30    19.87    26.01
MIAMI, FL                    180   144   382726    14.29    35.76    16.40
ELKHART, IN                  178   114    41005    -4.98    11.89    40.69
SHAWNEE, OK                  178   282    27533     9.80    16.38    34.13
SAN BENITO, TX               177   543    19270    26.98    27.85    23.04
SPOKANE, WA                  177   209   171903      .81    13.49    37.70
BROCKTON, MA                 176   117    96538     8.42    12.12    45.10
BARBERTON, OH                176   144    29184   -11.70    11.03    40.23
ROANOKE, VA                  176   177   100187    -5.14    16.11    29.56
MASSILLON, OH                175   150    30864    -5.15     9.81    48.39
KANSAS CITY, KS              175   120   162211    -9.35    14.18    31.94
MANCHESTER, NH               175   186    92104     4.96    10.08    52.01
BELOIT, WI                   175   125    34498    -3.45    11.46    42.06
CLEVELAND HEIGHTS, OH        174   111    55765    -8.23     7.44    61.27
LUZERNE CO., PA              172   187   240032     -.62     8.98    54.41
ROME, NY                     171   125    43510   -13.24    10.26    41.47
CHARLOTTESVILLE, VA          171   116    40299     3.65    20.15    25.21
EVANSVILLE, IN               171   170   130275    -6.12    11.80    38.91
KOKOMO, IN                   171   159    46043    -5.78    11.54    39.89
BELLINGHAM, WA               171   211    45312    15.08    16.00    35.14
SAN JUAN, PR                 170   222   430505    -7.07    47.24     9.54
ANDERSON, IN                 168    85    62148   -12.25    12.79    32.92
MARSHALL, TX                 168   262    25627     1.44    17.89    27.19
BETHLEHEM, PA                167   135    70255    -3.34    10.45    44.14
SALISBURY, NC                167   175    22599    -9.38    12.98    33.23
NEWARK, OH                   166   209    41893      .14    11.22    42.44
QUINCY, MA                   165   131    84001    -4.51     8.13    55.51
RACINE, WI                   165   125    84472   -11.23     9.48    44.21
SEATTLE, WA                  165   135   490077    -7.68    10.81    40.29
TACOMA, WA                   164   156   161351     4.50    13.49    36.23
MAYAGUEZ, PR                 161   436    99805    16.25    54.35     9.85
LAKEWOOD, OH                 160   101    61453   -12.43     6.35    63.20
CHICAGO HEIGHTS, IL          160    90    36189   -11.52    14.81    27.25
JOLIET, IL                   158   106    76678    -3.33    11.71    37.17
MACON, GA                    156   116   118730    -3.02    21.50    20.17
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PLACE	UC180	UC170	POP82	POP7082	PCTPOV80	PCTAGE80
OSHKOSH, WI	156	142	50221	-5.39	8.28	50.97
PINE BLUFF, AR	156	173	56107	-3.77	23.81	18.02
PEORIA, IL	156	134	122261	-3.70	11.99	35.76
SPARTANBURG, SC	155	227	43522	-2.30	20.08	21.58
SAVANNAH, GA	155	267	145699	.66	21.23	21.00
PONCE, PR	154	331	190090	19.57	61.64	8.56
DANVILLE, VA	153	184	44813	-3.53	13.74	30.76
MONROE, LA	153	195	57050	1.20	27.65	16.04
NORFOLK, VA	153	142	266874	-13.34	18.04	21.00
NEW ALBANY, IN	151	149	37869	-1.39	11.31	37.74
SUFFOLK, VA	150	150	47522	5.55	17.15	26.47
PASADENA, CA	150	142	120954	7.09	13.38	34.38
COUNCIL BLUFFS, IA	150	153	56694	-6.05	10.06	40.11
CARLISLE, PA	150	155	18608	2.93	7.91	55.87
YONKERS, NY	150	93	192342	-5.85	9.91	40.64
TEXARKANA, TX	148	165	31777	-3.00	20.03	20.46
LANSING, MI	147	102	128338	-2.33	13.21	31.07
FORT WAYNE, IN	147	98	167633	-11.10	11.06	33.77
YAKIMA, WA	146	195	50127	2.97	14.68	29.19
ATHENS, GA	145	108	42863	-3.34	21.29	18.86
TEXARKANA, AR	145	179	21663	-.09	18.19	22.79
GREENVILLE, SC	145	207	57490	-6.42	18.37	21.12
NEW ROCHELLE, NY	145	117	70673	-6.25	7.81	49.67
OGDEN, UT	145	153	66215	-4.70	12.43	31.67
ALEXANDRIA, LA	144	205	52250	3.24	23.47	18.09
HAMMOND, IN	144	86	91546	-15.22	9.50	36.62
KENT, OH	144	114	27536	-2.30	16.64	24.08
WAUSAU, WI	143	144	32107	-2.13	8.62	46.47
CHICOPEE, MA	143	81	55624	-16.58	8.60	39.72
DOVER, NH	143	117	22869	9.68	10.95	40.80
OAK PARK, IL	141	105	54751	-12.41	5.05	69.76
DECATUR, IL	140	122	92733	2.58	11.62	35.37
KNOXVILLE, TN	139	116	175298	.41	18.37	21.76
DES MOINES, IA	139	154	191506	-4.91	10.28	36.73
WASHINGTON CO., PA	139	204	217419	3.10	8.72	46.95
PORT ARTHUR, TX	139	211	65128	-.05	16.57	23.92
MIDDLETOWN, OH	138	113	43854	-10.07	12.61	28.21
PENSACOLA, FL	138	205	58967	-.91	18.81	20.81
OMAHA, NB	138	106	328557	-8.34	10.72	33.73
CHATTANOOGA, TN	138	204	168016	.11	17.46	22.60
LORAIN, OH	137	101	74707	-4.45	13.42	27.98
PUEBLO, CO	137	145	100934	.96	14.07	28.03
DENVER, CO	137	143	505563	-1.77	13.03	29.44
COLUMBIA, SC	135	125	101457	-10.64	15.80	21.76
STATE COLLEGE, PA	133	119	35901	9.34	25.07	16.62
BOWLING GREEN, OH	132	83	25855	18.82	17.90	25.10
BERWYN, IL	132	97	45905	-12.57	5.45	60.64
DUBUQUE, IA	132	131	61209	-2.09	7.93	46.47
CONCORD, NC	131	203	17733	-3.96	10.01	35.95
LAREDO, TX	131	348	99874	44.69	31.33	17.29
EAU CLAIRE, WI	130	130	53032	18.86	13.14	33.56

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PLACE                      UCI80 UCI70    POP82  POP7082 PCTPOV80 PCTAGE80

IOWA CITY, IA                129    92    51559    10.05    17.49    23.28
EVANSTON, IL                 129   103    73056    -8.81     6.39    52.57
LEOMINSTER, MA               129    99    34627     5.12     9.14    42.35
PORTSMOUTH, VA               128   149   105807    -4.65    18.56    18.80
NEWTON, MA                   128    88    82791    -9.28     5.55    59.71
WHITE PLAINS, NY             127    97    45996    -8.64     7.76    42.72
COLUMBUS, OH                 127   121   570588     5.66    15.64    24.44
MILLVILLE, NJ                126   130    25028    17.14    10.98    38.45
LYNCHBURG, VA                122   171    67315     4.23    12.11    30.07
ST. CLOUD, MN                122   105    42549      .77    12.47    28.19
PORTSMOUTH, NH               121   166    27099     5.37     8.51    42.84
SPRINGFIELD, IL              121   148    99682     8.64    10.36    36.14
ANNAPOLIS, MD                121   102    31910     6.03    15.08    24.22
EVERETT, WA                  120   100    56586     5.53    11.42    31.82
URBANA, IL                   120   102    35764     3.21    14.03    25.12
DENNISON, TX                 119   165    23984    -3.77    11.55    28.43
LEAVENWORTH, KS              119   157    33621    26.18    10.51    40.67
WALTHAM, MA                  119    91    58234    -5.44     7.31    43.79
LANCASTER, OH                118   127    35234     7.06     9.64    37.56
ROCKFORD, IL                 118    98   138334    -6.40    10.18    30.97
WATERLOO, IA                 118   135    76399     1.15    10.18    33.35
LOS ANGELES, CA              117   100  3022247     7.48    15.87    22.73
ARLINGTON, MA                117    80    46859   -12.45     5.64    52.07
BRISTOL, TN                  117   137    23850    -6.53    12.98    24.05
MIAMI BEACH, FL              116    94    93702     7.61    19.09    18.67
DAVENPORT, IA                115   125   103799     5.41     9.58    36.20
UPPER DARBY, PA              114     .    83371   -13.07     6.23    45.48
UNION, NY                    114     .    60877    -5.60     7.04    43.60
BREMERTON, WA                114   106    34475    -2.36    12.15    26.11
SANTA CRUZ, CA               114   149    42352    32.04    14.88    28.82
BRISTOL, VA                  113   358    18765    26.30    15.80    25.93
LAFAYETTE, IN                113   100    43914    -2.32     8.67    36.52
WEST LAFAYETTE, IN           113    80    21717    13.36    16.34    22.43
BLOOMINGTON, IL              113   158    45402    13.53     9.18    39.92
BLOOMFIELD, NJ               113    86    47346    -9.00     5.26    55.83
GUAYNABO, PR                 113    77    82265    22.71    41.72     9.46
TAMPA, FL                    112   141   276413     -.47    18.40    17.34
DAYTONA BEACH, FL            112   174    55504    22.45    21.43    18.28
JOHNSON CITY, TN             111   199    44002    11.63    14.44    24.61
ARECIBO, PR                  111   321    86616    17.90    66.13     5.67
DURHAM, NC                   110   144   101242     6.08    17.38    19.18
WACO, TX                     110   170   102200     7.21    19.96    18.86
BLOOMINGTON, IN              110    92    53045     9.30    16.38    20.95
CHAMPAIGN, IL                108   104    59011      .98    15.57    19.96
KENOSHA, WI                  108   100    76455    -2.98     7.88    37.89
LONG BEACH, CA               108    91   371426     2.77    13.39    23.61
INDIANAPOLIS, IN             105    61   718428    -2.92    11.14    26.14
MADISON CO., IL              105    84   245001    -2.34     9.75    29.92
HOLLAND, MI                  104   103    26833     1.34     7.93    38.14
MEMPHIS, TN                  104    96   645760    -1.77    21.47    13.85
GASTONIA, NC                 104    94    48244     1.95    13.13    23.07
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PLACE	UC180	UC170	POP82	POP7082	PCTPOV80	PCTAGE80
ALAMEDA, CA	103	116	67662	-4.66	7.24	38.94
WEST PALM BEACH, FL	103	153	66243	15.46	15.46	22.04
CHICO, CA	102	181	27924	42.61	22.67	18.42
AURORA, IL	102	78	81899	7.82	8.49	37.04
ATTLEBORO, MA	102	79	34123	3.70	6.91	43.58
MADISON, WI	102	76	172640	.48	12.37	23.57
RICHMOND, CA	101	73	75927	-3.94	16.10	17.22
VINELAND, NJ	101	85	53720	13.34	13.18	24.79
WEST HAVEN, CT	100	67	53412	1.06	9.12	31.82
BEAVER CO., PA	100	115	201146	-2.84	7.41	37.35
MIDDLETOWN, CT	99	98	38886	5.31	9.06	33.01
SHEBOYGAN, WI	99	123	48321	-.34	5.56	50.49
ALHAMBRA, CA	99	73	67170	8.12	11.17	27.25
MOLINE, IL	98	107	46340	.22	6.99	40.27
LAWRENCE, KS	96	97	54307	18.84	15.56	21.01
MERIDEN, CT	96	87	57871	3.42	7.20	39.48
MISHAWAKA, IN	96	118	40898	15.15	8.97	35.17
CRANSTON, RI	95	66	71622	-3.59	7.04	37.31
HIGH POINT, NC	95	119	63484	.40	13.68	19.99
ANN ARBOR, MI	95	54	104880	4.84	13.38	21.26
COMPTON, CA	95	61	84685	7.81	25.04	11.65
ST.CLAIR CO., IL	94	71	213782	-6.44	10.63	23.71
SANTA BARBARA, CA	94	103	74663	8.33	10.75	26.54
HOPKINSVILLE, KY	93	212	28308	17.99	17.96	17.50
TUSCALOOSA, AL	93	118	73743	5.76	23.35	12.00
KINGSPORT, TN	93	108	31959	.07	14.21	18.65
TOPEKA, KS	92	106	120269	-3.79	8.75	29.00
SPRING FIELD, MO	92	121	134453	11.95	13.19	22.39
WINSTON-SALEM, NC	91	111	141099	5.55	14.75	18.64
EAST PROVIDENCE, RI	89	94	51301	6.42	6.93	39.22
GREAT FALLS, MT	89	104	57143	-4.91	9.42	25.75
GLENDALE, CA	89	75	142148	7.15	9.81	27.77
GREEN BAY, WI	88	66	89758	2.17	9.24	27.94
SHREVEPORT, LA	88	166	210881	9.13	17.06	16.15
OWENSBORO, KY	86	109	54898	9.08	13.29	20.25
ESSEX CO., NJ	86	52	332306	-9.99	5.07	43.74
BEAUMONT, TX	86	148	123477	5.04	14.67	17.62
LYNWOOD, CA	86	49	50809	17.20	19.29	14.90
ORANGE, TX	86	118	24278	-8.01	16.50	13.65
SACRAMENTO, CA	85	78	288597	12.25	14.13	19.39
PROVO, UT	85	101	77475	45.82	24.12	14.71
FORT SMITH, AR	85	126	71275	13.49	13.50	20.38
HICKORY, NC	85	106	23987	8.02	11.11	23.52
SAN ANTONIO, TX	84	120	819021	15.59	19.71	14.10
EAST LANSING, MI	84	31	48824	-3.17	18.53	12.56
FLORENCE, SC	84	226	30465	17.19	19.18	14.68
FREDERICK, MD	83	154	30629	29.56	9.01	34.23
GULFPORT, MS	83	82	40741	-.12	16.09	14.75
DEARBORN, MI	83	63	86544	-16.94	6.23	31.58
BURLINGTON, NC	83	69	37389	-3.72	11.53	19.78
KENT CO., MI	82	95	451649	9.88	8.38	30.87

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PLACE                      UCI80 UCI70   POP82  POP7082 PCTPOV80 PCTAGE80

ELYRIA, OH                    82    65   57338     7.32    10.00    25.17
ELGIN, IL                     81    68   64407    15.65     7.42    36.16
PHARR, TX                     80   198   22770    43.85    35.17     9.41
WEYMOUTH, MA                  80    58   54530     -.15     6.82    33.37
FORT PIERCE, FL               80    99   36001    21.13    25.37    10.87
OLYMPIA, WA                   80    79   27980    20.11    11.09    24.65
CEDAR RAPIDS, IA              80    80  109086    -1.41     7.46    30.07
GOSHEN, IN                    80    91   19661    14.50     6.09    42.75
MOBILE, AL                    79   153  204586     7.66    17.89    13.61
WAUKEGAN, IL                  79    75   69270     6.35     9.05    26.57
AGUADILLA, PR                 78   471   54250   157.95    66.42     8.69
COLUMBUS, GA                  78    79  175241     4.70    16.77    13.90
NORWALK, CT                   77    64   78851     -.55     6.81    32.21
ALLEGHENY CO., PA             77    62  930754   -10.71     5.95    32.97
WESTFIELD, MA                 77    71   36794    17.06     7.32    35.07
WESTMORELAND CO., PA          76    81  337051     3.86     6.72    33.75
ROCK HILL, SC                 76   124   36434     7.65    13.32    17.61
GRAND FORKS, ND               75    97   44149    13.18    10.74    22.67
FORT WORTH, TX                75    87  401402     2.02    12.97    16.91
LOWER MERION, PA              75     .   59357    -6.66     4.59    43.67
STAMFORD, CT                  74    66  103614    -4.76     7.60    26.66
PEKIN, IL                     74    65   33602     7.10     8.50    26.51
HOPEWELL, VA                  72    73   23969     2.12    11.94    17.70
LAKELAND, FL                  72   147   51788    17.30    13.76    17.62
BROWNSVILLE, TX               72   232   91440    66.58    30.69    11.18
WINTERHAVEN, FL               72   169   21762    34.87    15.78    17.53
WICHITA FALLS, TX             72   112   99555     3.04    11.26    18.72
WESTCHESTER CO., NY           69    45  412116    -3.70     4.90    38.89
SOUTH GATE, CA                69    66   72015    26.54    13.23    18.91
MONTGOMERY, AL                69   160  182406    30.20    18.40    13.90
UNION CO., NJ                 69    44  346260    -7.31     5.53    32.90
FAYETTEVILLE, AR              68    77   36270    18.03    16.24    14.23
FARGO, ND                     68    98   62596    17.30     8.97    25.54
FORT MYERS, FL                68   108   38271    34.71    20.45    12.85
ROCHESTER, NH                 68   106   22382    24.77     7.15    34.01
THIBODAUX, LA                 68   109   16695    11.86    15.00    14.53
SANTA MONICA, CA              68    83   89187     1.02     9.57    20.56
LANCASTER CO., PA             68    73  316478    16.22     6.63    34.00
CLIFTON, NJ                   68    50   74501    -9.63     4.31    40.64
LAKE CHARLES, LA              68    98   76396    -2.05    14.77    12.84
HAVERFORD, PA                 68     .   51828    -8.87     4.46    39.56
COLUMBIA, MO                  67    53   63305     7.64    13.90    14.79
BILOXI, MS                    66   100   50476     4.10    13.65    14.36
FLORENCE, AL                  66   109   37467    10.10    14.80    13.96
SANTA FE, NM                  65   139   50957    23.78    13.41    17.24
PANAMA CITY, FL               65   151   34565     7.69    19.64    10.18
WICHITA, KS                   65    80  288723     4.40     9.73    19.85
LITTLE ROCK, AR               64   114  167974    18.98    13.59    16.10
FAYETTEVILLE, NC              64    99   61583     6.52    20.31     9.57
GLOUCESTER CO., NJ            64    64  204022    18.15     8.35    25.81
HARLINGEN, TX                 64   176   47083    40.53    23.73    10.76
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PLACE                      UC180 UC170   POP82  POP7082 PCTPOV90 PCTAGE80

SHERMAN, TX                   63    87   30871     6.23     8.99    21.40
GREELEY, CO                   63   101   53502    37.53    16.14    15.38
MOSS POINT, MS                62    19   18958    -1.89    16.02    10.92
WEST ALLIS, WI                62    50   64541    -9.92     4.45    36.09
POMONA, CA                    62    46  100465    14.97    15.31    13.30
STOCKTON, CA                  62   128  161815    47.15    14.87    17.51
ORANGE CO., NY                62    57  216675    19.61     6.80    30.95
TULARE, CA                    61   150   23697    37.98    16.34    14.71
LEXINGTON-FAYETTE, KY         61    75  207668    19.13    12.52    16.58
BERKS CO., PA                 61    49  235952     6.19     5.03    36.76
INGLEWOOD, CA                 61    29   97416     8.26    14.68    12.82
DELAWARE CO., PA              61    35  371191    -8.63     5.63    28.16
EL MONTE, CA                  60    21   84797    21.33    18.22    11.49
FAJARDO, PR                   60   185   33612    84.19    61.18     5.18
NEENAH, WI                    60    32   22514    -1.65     5.55    30.51
LINCOLN, NB                   59    88  177340    16.18     8.05    24.48
WEIRTON, WV                   59    73   24398   -10.07     6.97    21.87
ALBANY, GA                    59    83   84771    16.73    22.04     8.95
APPLETON, WI                  59    64   60553     7.41     5.62    32.11
BRISTOL, CT                   58    43   57626     3.85     5.84    29.68
SIOUX FALLS, SD               58   101   83497    15.19     7.99    23.95
NATIONAL CITY, CA             58    47   53687    24.32    14.80    13.88
TEMPLE, TX                    58   126   42061    25.81    14.67    14.15
BILLINGS, MT                  58    90   68787     6.80     9.52    18.47
NASHVILLE-DAVIDSON, TN        57    34  477845     6.69    11.77    14.82
DANBURY, CT                   57    40   62404    22.89     6.30    31.79
EL PASO, TX                   57   108  445071    38.11    20.05    11.17
CAMDEN CO., NJ                57    38  276042     4.68     6.54    25.93
JACKSONVILLE, FL              57    36  556370    10.33    15.23    11.71
ST. PETERSBURG, FL            57    80  241214    11.59    13.55    13.30
TYLER, TX                     56    93   73117    19.84    12.67    15.13
HAMDEN TOWN, CT               56    43   51171     3.68     5.79    28.49
JANESVILLE, WI                56    52   51321    10.54     5.53    31.75
WARWICK, RI                   55    43   86832     3.75     6.56    24.74
CHESTER CO., PA               55    64  299638    17.32     6.19    29.58
COCOA, FL                     54    50   17492     8.58    16.04    10.42
BOULDER, CO                   54    39   78178    16.91    14.52    12.39
OKLAHOMA CITY, OK             54    97  427714    16.11    11.15    16.02
PORTERVILLE, CA               54   109   21905    54.24    13.88    17.04
BURBANK, CA                   54    40   85465    -3.83     7.56    19.47
GAINESVILLE, FL               53    32   83704    22.81    20.95     8.81
MISSION, TX                   52   291   25443    95.07    27.96    10.45
NASHUA, NH                    52    60   70386    26.09     6.14    30.54
BERGEN CO., NJ                52    39  809176    -6.23     4.23    32.96
CAGUAS, PR                    52   129  119232    24.64    54.72     3.38
CEDAR FALLS, IA               51    59   36206     9.83     7.16    22.53
GREENSBORO, NC                51    52  157337     6.35    11.85    13.13
STRATFORD, CT                 51    32   50752     1.96     5.26    28.19
FRESNO, CA                    51   106  244768    37.34    14.80    13.49
MONMOUTH CO., NJ              51    41  373040    10.47     6.33    25.32
VALLEJO, CA                   50    65   85824    19.68     9.62    17.93
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PLACE                      UCI80 UCI70    POP82  POP7082 PCTPOV80 PCTAGE80

TONAWANDA, NY                 50     .    88808   -17.22     4.97    23.64
ENID, OK                      50   136    54441    16.74     7.50    22.07
NORTH LITTLE ROCK, AR         48   103    64322     7.13    12.44    11.92
FRAMINGHAM, MA                48    29    65468     2.22     6.36    22.22
JACKSON, MS                   48   108   204195    12.93    17.85     8.65
MOORHEAD, MN                  48    43    29653     -.11    10.02    13.59
HOUMA, LA                     48    95   100346   200.00    13.49    30.29
PALO ALTO, CA                 47    40    54968    -7.96     5.91    21.14
OCALA, FL                     47    69    40722    44.86    18.73    10.48
EAST HARTFORD, CT             47    22    51906    -9.86     6.39    19.11
SALEM, OR                     47    65    90431    22.04    10.63    15.47
SAN ANGELO, TX                47   126    79214    24.00    11.46    14.54
YORK CO., PA                  47    53   272482    16.32     5.09    30.44
GREENWICH, CT                 46    47    60122      .61     3.23    41.04
ROCHESTER, MN                 46    61    59008     9.75     6.48    22.06
WEST HARTFORD, CT             45    33    60683   -10.80     3.71    31.22
ORLANDO, FL                   45    94   134255    34.15    15.69    10.98
ABILENE, TX                   45    82   104302    16.34    10.53    14.07
BRADENTON, FL                 44   198    34099    62.07    12.44    16.53
BATON ROUGE, LA               44    96   361572    33.96    14.12    12.04
TULSA, OK                     44    67   375300    13.61     9.80    14.67
MEDFORD, OR                   44    81    40411    39.48    11.67    15.12
UNION, NJ                     44     .    50349    -5.14     3.95    30.08
EUGENE, OR                    44    43   103709    22.33    14.15    10.78
EDINBURG, TX                  43   161    27961    62.91    25.75     7.86
INDEPENDENCE, MO              43    26   111617    -1.02     6.55    18.77
ARLINGTON CO., VA             43    28   152855   -12.30     7.26    14.88
NEWPORT NEWS, VA              43    59   151240     9.45    12.51    10.69
NASSAU CO., NY                43    29  1190827    -7.87     4.95    22.75
HAMPTON, VA                   43    38   124966     3.47    10.98    11.46
EUCLID, OH                    43    17    58175   -18.70     6.13    16.11
DUTCHESS CO., NY              42    35   216214    10.60     5.46    24.42
DOTHAN, AL                    42   103    51288    39.62    15.15    11.11
FAIRFIELD, CT                 42    29    54623    -3.30     4.21    27.31
MANCHESTER, CT                42    39    49483     3.10     4.14    29.63
DALLAS, TX                    42    53   943848    11.12    13.41     9.84
SAN JOAQUIN CO., CA           41    85   209715    27.64     9.96    15.16
SARASOTA, FL                  41    56    50632    25.83    14.02    10.60
ALEXANDRIA, VA                41    34   104276    -6.00     8.81    12.60
LOS ANGELES CO., CA           41    35  2124922     9.03    10.94    11.67
LAS CRUCES, NM                41    54    46476    22.77    19.56     7.35
NORMAL, IL                    41    30    35907    36.03    12.94    12.22
ONONDAGA CO., NY              41    29   239145    -2.83     4.77    23.67
FRESNO CO., CA                41   118   290642    29.55    12.75    11.78
MURFREESBORO, TN              41    64    34642    31.42    13.42    11.33
WEST MEMPHIS, AR              40    56    27808     6.67    26.25     4.66
CHARLOTTE, NC                 39    49   323972    11.00    11.85    10.47
MILFORD, CT                   39    41    51484     5.62     3.89    30.32
WAUWATOSA, WI                 39    46    50782   -13.45     2.56    37.35
LAWTON, OK                    39    59    85673    15.04    14.00     9.05
SAN DIEGO, CA                 38    53   915956    31.33    11.04    12.99
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PLACE                    UCI80 UCI70   POP82  POP7082 PCTPOV80 PCTAGE80

LAFAYETTE, LA               38    68   85593    24.21    13.98     9.70
HAMBURG, NY                 38    10   53378    12.04     5.16    23.70
IRONDEQUOIT, NY             38     .   57566   -11.30     3.52    27.51
ROCKLAND CO., NY            38    21  221914    13.00     5.97    20.57
KERN CO., CA                38    92  318212    31.34    12.01    11.79
BOISE, ID                   37    34  104586    21.23     8.41    15.43
HONOLULU, HI                37    48  781899    24.01     8.88    14.92
PASCO, WA                   37   105   19339    38.93    15.81     9.34
RAPID CITY, SD              37    80   48122     9.78    10.47    11.10
RALEIGH, NC                 37    65  154211    25.55    10.65    12.43
ROYAL OAK, MI               37    22   68390   -20.70     4.38    19.08
BALDWIN PARK, CA            37    27   53835    13.85    13.99     8.56
JEFFERSON CO., AL           36    47  336721     4.27     8.96    12.13
FORT COLLINS, CO            36    67   68534    58.14    13.11    12.52
WHITTIER, CA                36    13   69059    -5.22     7.29    13.25
CORPUS CHRISTI, TX          36    49  246081    20.32    14.86     8.35
LINCOLN PARK, MI            35    28   43533   -17.84     5.19    16.03
MONTEREY, CA                35    42   28266     7.47     6.40    16.88
GREENVILLE CO., SC          35    58  241870    22.30     9.71    12.63
MARIN CO., CA               35    26  223359     7.05     6.72    15.94
ABINGTON, PA                34     .   58989    -7.29     3.57    25.61
DOVER TWP, NJ               34    19   66455    51.89     5.82    25.68
GENESEE CO., MI             34    20  286959    -1.25     7.26    13.33
VICTORIA, TX                34    79   54947    32.89    12.96    10.05
SONOMA CO., CA              34    83  226251    52.89     8.97    16.61
TALLAHASSEE, FL             34    47  102579    41.25    18.78     7.32
HAMILTON, NJ                34     .   83036     4.30     4.32    23.27
WAYNE CO., MI               34    13  514310   -16.05     5.36    15.03
WYOMING, MI                 34    35   60419     6.82     5.82    17.61
MONTGOMERY CO., PA          33    27  484479     4.37     4.10    24.24
RIVERSIDE, CA               33    32  174023    24.22    10.78    10.85
BRYAN, TX                   33    89   53107    57.50    15.85     9.26
BURLINGTON CO., NJ          32    29  309659    14.65     5.57    19.10
MIDDLESEX CO., NJ           32    20  276774     3.18     4.43    21.55
CUYAHOGA CO., OH            32    17  535458   -14.40     5.02    15.70
MCALLEN, TX                 32   213   72063    80.18    24.02     6.91
MARIETTA, GA                32    83   33679    23.75    11.55     9.82
SOMERSET CO., NJ            32    28  203219     3.16     3.70    25.28
SANTA MARIA, CA             32    32   42181    28.80    10.92    10.69
BABYLON, NY                 32    42  202908     -.33     6.87    13.12
WAUKESHA, WI                32    50   51376    29.43     4.87    23.97
SALINAS, CA                 31    29   84443    39.74    11.69    10.66
NORTH CHARLESTON, SC        31     .   67633    15.77    14.75     7.00
HAMILTON CO., OH            31    21  475072    -5.87     4.83    17.35
DENTON, TX                  31    42   49833    24.98    11.72     9.45
AMARILLO, TX                31    67  155356    22.32     9.39    11.44
REDWOOD CITY, CA            31    21   54948    -1.33     7.04    12.30
COLONIE, NY                 31     .   74455     7.68     5.08    18.51
COLORADO SPRINGS, CO        30    39  231699    44.53     9.35    13.44
STARK CO., OH               30    23  218507     1.73     5.03    17.20
SANTA ANA, CA               30    30  217219    39.50    12.92     9.10
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PLACE                       UCI80 UCI70   POP82  POP7082 PCTPOV80 PCTAGE80

CHEEKTOWAGA, NY                29     .  106982    -6.03     5.46    14.45
CHAPEL HILL, NC                29    26   32484    23.99    11.74     8.72
CASPER, WY                     29    81   53392    29.16     5.62    18.77
NAPA CITY, CA                  29    31   52562    35.27     8.33    13.33
BUCKS CO., PA                  29    25  381686    18.91     4.87    20.03
POLK CO., FL                   29    71  267938    49.52    13.16     9.31
RANTOUL, IL                    29    24   21215   -17.01     6.96     9.76
PENN HILLS, PA                 28     .   56867    -9.57     5.19    14.23
SAN MATEO, CA                  28    27   77918    -1.36     5.75    13.85
AUSTIN, TX                     28    53  368135    42.23    14.10     8.13
NEW CASTLE CO., DL             28     6  330947     4.02     7.70    10.76
MORRIS CO., NJ                 28    22  345906     7.08     3.42    24.90
LAKE CO., IL                   28    38  328743    18.02     4.76    19.52
SUFFOLK CO., NY                27    12  542073    14.04     6.75    13.27
BELLFLOWER, CA                 27    23   55242     5.56     9.44     8.72
YUBA, CA                       27    47   19890    42.21    11.24     9.85
TUCSON, AZ                     27    39  352455    31.78    13.53     7.57
PASCAGOULA, MS                 27    34   30256    10.97    11.48     7.50
ISLIP, NY                      27     .  299549     7.41     8.99    11.78
SAN LEANDRO, CA                26    28   64606    -5.96     4.74    14.95
NORMAN, OK                     26    46   73077    40.22    10.43    10.12
MONTGOMERY CO., OH             26    12  323474    -6.68     6.18    11.31
LAKE CO., IN                   26    19  209310    -5.84     4.88    14.31
HOUSTON, TX                    26    47 1725617    31.62    11.59     8.41
LONGVIEW, TX                   26    62   69038    38.73    10.48     9.78
WOODLAND, CA                   26    55   31498    52.33     7.71    14.55
MULTNOMAH CO., OR              26    21  200165     2.01     8.02     9.36
AUBURN, WA                     26    28   29170    33.70     8.80    11.15
HUNTSVILLE, AL                 25    16  145421     4.41    12.33     6.14
MONTEBELLO, CA                 25    20   54594    27.54    11.37     7.96
MIDLAND, MI                    25    24   37372     6.24     5.51    13.63
CLARKSVILLE, TN                25    47   59715    34.55    10.73     8.85
MONTEREY PARK, CA              25    15   56599     9.77     9.46     8.15
BAYTOWN CITY, TX               25    31   61375    39.55     9.49    10.32
CLARK CO., WA                  24    48  200181    55.84     8.64    12.49
LOMPOC, CA                     24    12   28128    11.25    11.56     6.66
MONROE CO., NY                 24    11  317577     -.64     4.51    15.17
MIDDLETON, NJ                  24     .   64020    17.20     4.06    19.86
SUMMIT CO., OH                 24    15  248941    -6.35     4.19    15.39
MACOMB CO., MI                 24    21  219056     9.90     4.89    15.34
BISMARK, ND                    24    67   45929    32.35     6.32    14.19
ST. LOUIS CO., MO              23    21  818533     2.60     4.83    14.26
PIERCE CO., WA                 23    21  339779    23.75     7.75    10.71
BALTIMORE CO., MD              23    18  659248     6.26     5.14    13.78
MILWAUKEE CO., WI              23    14  213190    -8.79     3.15    19.23
SAN MATEO CO., CA              23    18  303773     5.92     5.86    11.86
CHESAPEAKE, VA                 23    52  119749    33.68    10.51     8.25
PICO RIVERA, CA                23    15   54800     1.16    10.34     6.32
ROSEVILLE, MI                  23    13   52785   -12.79     6.15     9.13
REDONDO BEACH, CA              22    27   58872     2.47     7.48     8.80
WOODBRIDGE, NJ                 22     .   91287    -7.74     3.29    17.96
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20 OCT 85   URBAN CONDITIONS INDEX SCORES, RANK ORDERED
16:29:33    BROWN UNIVERSITY COMPUTER CTR  IBM 3081 MODEL D OS/VS1

PLACE                    UCI80 UCI70   POP82  POP7082 PCTPOV80 PCTAGE80

VENTURA, CA                 22    19   80759    39.33     7.50    11.89
BAKERSFIELD, CA             22    77  115528    66.19    10.10    10.44
ONTARIO, CA                 22    45   96790    50.96     9.64     9.70
ST. CHARLES, MO             22    33   45907    44.21     5.35    16.65
TURLOCK, CA                 21    46   28681   104.98    11.58    10.76
FORT LAUDERDALE, FL         21    15  153755    10.15    14.35     4.63
SPRINGFIELD, OR             21    27   41215    53.36    15.18     6.09
BOSSIER CITY, LA            21    29   54641    24.84    10.34     7.26
LAKE CO., OH                21    20  207171     9.04     4.00    16.35
FULTON CO., GA              21    12  214915     -.65     9.09     6.47
HUNTINGTON, NY              21     .  199365     -.40     3.61    16.22
SAYREVILLE, NJ              21    10   30029    -7.63     3.11    17.42
DAVIS, CA                   20    14   37433    59.37    23.36     3.97
REDDING, CA                 20    41   43716    36.42     9.51     8.27
SEASIDE, CA                 20    10   37789     2.46    11.68     5.04
COOK CO., IL                20    11 1603400    -4.33     4.57    12.01
OAKLAND CO., MI             20    20  523131    10.17     4.93    12.82
ALAMEDA CO., CA             20    15  274114     6.24     5.53    10.85
LUBBOCK, TX                 20    43  176588    18.44    13.47     4.93
NORTON SHORES, MI           20    17   21556    -3.21     4.78    11.34
BRISTOL, PA                 20     .   59430   -11.95     6.97     7.06
CLACKAMAS CO., OR           19    41  248709    50.12     5.79    14.38
SAN BERNADINO CO., CA       18    31  679387    41.48     9.51     7.81
S. SAN FRANCISCO, CA        18    21   50141     7.49     6.05     9.27
TEXAS CITY, TX              18    28   42812    10.03     9.57     6.00
ALBUQUERQUE, NM             18    39  341978    39.87    11.94     6.07
WEST SENECA, NY             18     .   49966     3.23     3.15    16.94
WATERFORD, MI               18     .   63097     6.72     4.89    11.26
RENO, NV                    18    40  106748    46.51     7.48    10.07
OCEAN CO., NJ               18    25  217211    71.65     8.71    10.07
SANTA ROSA, CA              18    39   86989    67.70     8.74     9.78
FRANKLIN CO., OH            18    14  315616     6.08     4.62    11.60
HAYWARD, CA                 17    14   96287     3.47     8.90     5.72
LOVELAND, CO                16    57   32340    99.38     6.74    13.93
COLONIAL HEIGHTS, VA        16    20   17116    13.37     4.07    13.01
SPRINGDALE, AR              16    32   24185    44.10    10.85     6.19
SNOHOMISH CO., WA           16    18  298358    34.16     6.07    10.30
DALY CITY, CA               16    14   79726    19.13     6.85     8.09
MODESTO, CA                 16    31  114076    67.67     9.46     8.17
TAYLOR, MI                  16     9   73796     5.39     8.84     5.41
WILL CO., IL                16    19  236162    31.87     4.30    13.73
HAWTHORNE, CA               16     9   57770     8.38     9.09     5.33
VISALIA, CA                 16    42   53238    79.53     9.87     8.08
LA MESA CITY, CA            15    11   51246    13.62     9.48     5.28
VOLUSIA CO., FL             15    39  225096    66.28    10.45     6.96
SANTA CLARA CO., CA         15    22  322770    24.78     6.66     8.19
TRUJILLO, PR                15    83   52527    71.27    49.07     1.52
AMHERST, NY                 15     .  108493    15.51     4.04    12.05
GREECE, NY                  15     .   82026     9.17     3.56    12.92
NEWPORT BEACH, CA           15    13   64754    30.60     6.71     8.11
CONTRA COSTA CO., CA        14    19  405250    21.88     5.92     8.34
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20 OCT 85    URBAN CONDITIONS INDEX SCORES, RANK ORDERED
16:29:33     BROWN UNIVERSITY COMPUTER CTR  IBM 3081 MODEL D OS/VS1

PLACE                      UCI80 UCI70   POP82  POP7082 PCTPOV80 PCTAGE80

ANNE ARUNDEL CO., MD          14    18  349601    28.01     5.00    10.20
JEFFERSON CO., LA             14    20  399264    39.06     9.13     5.94
PRINCE GEORGES CO., MD        14     6  652334     1.11     6.53     6.03
CAROLINA, PR                  13    17  168370    56.42    44.21     1.35
SAN JOSE, CA                  13    14  659181    45.92     7.67     7.25
DES PLAINES, IL               13     9   55945    -4.79     3.01    11.87
BENSALEM TWP, PA              13     .   54429    64.73     8.16     7.33
PHOENIX, AZ                   13    26  824230    39.08    10.51     4.78
WARREN, MI                    12     4  156131   -12.90     5.07     6.05
PARMA, OH                     12    11   90572    -9.62     3.00    10.52
JEFFERSON CO., KY             12     7  371577    -1.90     6.83     4.92
ORANGE CO., FL                12    22  355828    45.95    10.69     4.67
RIVERSIDE CO., CA             12    26  505833    56.40    10.12     5.28
MELBOURNE, FL                 12     8   49937    24.11    10.71     3.96
TOA BAJA, PR                  12    37   82149    77.11    51.06     1.16
ORANGE, CA                    12     6   94606    22.29     6.36     6.32
NORWALK, CA                   11     8   86317    -4.27     9.99     3.14
LONGMONT, CO                  11    34   45711    96.95     5.66    11.35
KING CO., WA                  11     8  716810    13.16     5.04     7.29
COLLEGE STATION, TX           11    27   42685   141.49    21.78     3.55
OLD BRIDGE TOWN, NJ           11     .   52495     7.76     4.97     6.86
FULLERTON, CA                 11    10  104532    21.57     7.15     5.35
ST. CLAIR SHORES, MI          11     7   73450   -16.62     3.59     7.30
DOWNEY, CA                    11     8   82778    -6.54     6.92     4.20
SAN DIEGO CO., CA             11    14  620047    44.48     8.47     5.25
MOUNTAIN VIEW, CA             11     7   60050    10.93     6.64     5.09
SALT LAKE CO., UT             11    21  357208    43.87     6.21     7.03
HIALEAH, FL                   10     5  154713    51.01    23.98     1.87
DEARBORN HEIGHTS, MI          10     6   64702   -19.19     3.93     8.03
DAKOTA CO., MN                10    14  204796    46.48     4.04    10.59
BAYAMON, PR                   10    27  198361    27.00    44.99      .82
ODESSA, TX                    10    13  102465    28.28    10.00     3.57
TITUSVILLE, FL                10     3   34805    14.06    11.50     2.73
KETTERING, OH                 10     5   60371   -15.99     4.20     5.49
PARSIPPANY-TROY, NJ           10     .   50077    -9.14     2.76     9.01
EDISON, NJ                    10     .   71886     7.10     3.48     8.42
MONTGOMERY CO., MD            10     8  588547    13.67     4.23     7.34
DELRAY BEACH, FL              10    43   39628    98.99    11.49     4.70
HENNEPIN CO., MN               9     6  515642     -.15     3.59     7.44
CLEARWATER, FL                 9    28   90238    68.53     8.01     5.63
DADE CO., FL                   9     9 1085132    35.40    12.88     2.80
WASHINGTON CO., OR             9    18  256684    64.17     5.69     7.36
WESTLAND, MI                   8     6   81533    -6.01     5.31     4.26
HOLLYWOOD, FL                  8     5  122051    14.20     8.60     3.19
DE KALB CO., GA                8     5  435991    18.49     7.53     3.73
JACKSONVILLE, NC               8    17   23904    32.14    12.71     2.42
DU PAGE CO., IL                8    10  638025    39.10     2.93    10.96
SANTA CLARA, CA                8     7   88171     2.38     5.68     4.12
BRICK TWP, NJ                  8     .   55252    57.61     5.96     6.00
CHULA VISTA, CA                8     9   86984    28.10     8.00     3.56
ANOKA CO., MN                  8     7  204313    32.00     4.37     6.65
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20 OCT 85   URBAN CONDITIONS INDEX SCORES, RANK ORDERED
16:29:33    BROWN UNIVERSITY COMPUTER CTR  IBM 3081 MODEL D OS/VS1

PLACE                      UCI80 UCI70   POP82  POP7082 PCTPOV80 PCTAGE80

HILLSBOROUGH CO., FL           8     9  411505    40.32     9.66     3.13
TORRANCE, CA                   7     4  130213    -3.52     4.72     4.27
KILLEEN, TX                    7    15   50559    42.39    16.31     1.80
PORTAGE, MI                    7     6   38800    15.51     3.57     6.53
OCEANSIDE, CA                  7    24   84082   107.64    11.13     3.70
ESCONDIDO CITY, CA             7    11   70004    90.27    10.06     3.74
REDFORD, MI                    7     .   57082   -20.61     2.78     5.69
BUENA PARK, CA                 7     4   64323     1.06     7.46     2.64
OXNARD, CA                     7    13  115657    62.38    11.34     2.79
MIDLAND, TX                    7    20   84174    41.56     7.24     3.72
MARICOPA CO., AZ               7    23  279106    65.70    10.77     2.89
SACRAMENTO CO., CA             7     9  540120    30.64     8.47     2.88
PALM SPRINGS, CA               6    16   33799    61.44     9.80     3.06
OAK LAWN, IL                   6     3   59488    -1.35     3.31     5.40
OREM, UT                       6    20   56418   119.28    10.59     3.67
ANAHEIM, CA                    6     6  226467    36.09     7.41     3.17
CHERRY HILL, NJ                6     .   69083     7.28     3.28     5.63
CARSON, CA                     6     5   83326     5.59     7.66     2.36
SKOKIE, IL                     6     5   59766   -12.52     2.52     5.92
COSTA MESA, CA                 6     5   84977    16.95     8.06     2.37
OVERLAND PARK, KS              6     1   84262     8.12     2.75     6.41
KENNEWICK, WA                  6    23   38260   119.12     8.86     4.01
CLAY, NY                       5     .   53455    47.36     4.26     5.41
SLIDELL, LA                    5    13   30022    86.46     7.65     3.74
PINELLAS CO., FL               5    10  357679    45.48     7.17     3.02
LAKEWOOD, CO                   5     3  118498    27.77     4.73     3.92
LANCASTER, CA                  5     .   50890    64.44     8.15     2.91
ARLINGTON HEIGHTS, IL          5     2   66457     2.15     2.54     5.59
LIVERMORE, CA                  5     5   49564    31.46     4.26     4.25
EL CAJON, CA                   5     8   77707    48.66    10.91     1.88
PALM BEACH CO., FL             5    16  438499    85.47     9.13     2.78
GRAND PRAIRIE, TX              5     7   77146    51.55     7.96     2.59
OLATHE, KS                     5    24   42248   135.80     4.49     7.05
FARMINGTON HILLS, MI           4     .   60945    25.16     3.38     4.74
TARRANT CO., TX                4     5  335930    29.92     5.14     3.18
PASADENA, TX                   4     5  122010    35.63     7.01     2.42
PIMA CO., AZ                   4     6  207356    61.48     7.95     2.51
LAS VEGAS, NV                  4     5  179587    42.77     9.68     1.79
MIDWEST CITY, OK               4     7   52829     9.58     6.89     1.93
ORANGE CO., CA                 4     3  655347    41.69     5.22     3.25
VIRGINIA BEACH, VA             4     6  282588    64.19     7.91     2.47
POMPANO BEACH, FL              4     4   58036    50.40    13.07     1.37
LIVONIA, MI                    4     2  101366    -7.94     2.27     4.77
FAIRFIELD, CA                  4     3   61742    39.86     8.27     1.93
IRVING, TX                     4     2  114305    15.51     5.67     2.18
GARDEN GROVE, CA               4     2  126340     4.28     7.97     1.40
SOUTHFIELD, MI                 4     2   73311     5.81     3.71     3.03
LAKEWOOD, CA                   4     2   74404   -10.38     5.24     1.72
CONCORD, CA                    3     2  104061    22.19     5.90     2.06
COBB CO., GA                   3     7  286976    62.94     5.12     3.13
JACKSONVILLE, AR               3     7   28964    46.05     7.79     1.79
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20 OCT 85   URBAN CONDITIONS INDEX SCORES, RANK ORDERED
16:29:34    BROWN UNIVERSITY COMPUTER CTR  IBM 3081 MODEL D OS/VS1

PLACE                     UCI80 UCI70   POP82  POP7082 PCTPOV80 PCTAGE80

FORT WALTON BEACH, FL         3     4   21718     8.62    11.14      .88
OAK RIDGE, TN                 3     1   27865    -1.60     8.32     1.06
CLINTON TWP, MI               3     .   73747    50.92     4.65     2.88
SUNNYVALE, CA                 3     2  107110    11.60     4.72     2.01
FREMONT, CA                   3     3  137925    36.74     4.57     2.43
MESA, AZ                      3    12  171695   140.64     7.46     2.56
HARRIS CO., TX                3     4  772423    53.51     4.37     2.72
WESTMINSTER, CA               3     2   72602    20.85     7.03     1.28
KENNER, LA                    3    10   71076   138.05     9.25     1.91
WALNUT CREEK, CA              3     1   56246    29.44     4.17     2.25
HUNTINGTON BEACH, CA          2     2  176314    52.05     6.24     1.72
WEST VALLEY, UT               2     .   81770   100.00     6.09     2.30
GLENDALE, AZ                  2    17  106420   193.75     8.10     2.48
FAIRFAX CO., VA               2     3  621583    40.41     3.66     2.48
BLOOMINGTON, MN               2     2   83442     1.80     2.89     2.14
FLORISSANT, MO                2     1   55301   -16.09     2.47     2.01
ARVADA, CO                    2     2   88478    75.30     3.74     2.67
TROY, MI                      2     4   67031    70.05     2.84     3.39
NAPLES, FL                    2     2   19181    59.28     5.12     1.67
BELLEVUE, WA                  2     1   74095    21.08     4.80     1.35
CLARK CO., NV                 2     2  330860    86.89     7.41     1.32
MOUNT PROSPECT, IL            2     1   52581     7.47     2.63     2.07
TEMPE, AZ                     2     3  112514    77.05     9.85      .87
MESQUITE, TX                  2     2   71171    29.09     4.85     1.26
SANDY CITY, UT                2    24   56959   200.00     5.29     2.62
LARGO, FL                     2     4   60339   123.83     6.81     1.50
ANCHORAGE, AK                 1     3  204216    61.58     6.09     1.05
RANCHO CUCAMONGA, CA          1     .   59315   200.00     5.12     2.31
WEST COVINA, CA               1     1   86530    27.19     4.88      .95
SIMI VALLEY, CA               1     .   81385    36.02     4.64     1.02
ARLINGTON, TX                 1     3  182975   102.79     5.10     1.34
WARNER ROBINS, GA             1     1   42203    26.01     9.71      .43
RICHLAND, WA                  1     1   35152    33.71     4.78      .86
BROWARD CO., FL               1     2  692667    73.05     7.41      .65
GARLAND, TX                   1     1  148975    82.93     4.71     1.07
PALM BAY, FL                  1     5   26421   200.00     4.83     1.70
AURORA, CO                    1     3  184372   141.08     4.58     1.34
STERLING HEIGHTS, MI          1     1  108482    76.78     3.19     1.33
WESTMINSTER, CO               1     4   55098   177.19     5.05     1.17
BOCA RATON, FL                1     2   53615    81.51     4.72      .82
SCOTTSDALE, AZ                1     1   94233    38.94     5.24      .39
THOUSAND OAKS, CA             0     1   90639   152.67     3.99      .63
RICHARDSON, TX                0     0   76074    57.16     2.92      .47
PLANO, TX                     0     3   84191   200.00     3.24      .73
FOUNTAIN VALLEY, CA           0     0   54874    72.09     3.78      .29
CERRITOS, CA                  0     1   54089   200.00     3.12      .38
CAPE CORAL, FL                0     .   38832   200.00     4.85      .18
SCHAUMBURG, IL                0     1   55962   199.86     2.46      .25
IRVINE, CA                    0     .   71446   200.00     2.98      .03

NUMBER OF CASES READ =      814   NUMBER OF CASES LISTED =     814
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20 OCT 85   URBAN CONDITIONS INDEX SCORES, RANK ORDERED
16:29:34    BROWN UNIVERSITY COMPUTER CTR  IBM 3081 MODEL D OS/VS1


PRECEDING TASK REQUIRED       0.74 SECONDS CPU TIME;       4.55 SECONDS ELAPSED.

   7  0          FREQUENCIES  VARIABLES=UC170 UC180/
   8  0                         FORMAT=NOTABLE/NTILES=5/STATISTICS=DEFAULT MEDIAN


THERE ARE   485184 BYTES OF MEMORY AVAILABLE.
THE LARGEST CONTIGUOUS AREA HAS   485184 BYTES.

***** MEMORY ALLOWS A TOTAL OF  22053 VALUES, ACCUMULATED ACROSS ALL VARIABLES.
      THERE ALSO MAY BE UP TO    5514 VALUE LABELS FOR EACH VARIABLE.
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20 OCT 85   URBAN CONDITIONS INDEX SCORES, RANK ORDERED
16:29:39    BROWN UNIVERSITY COMPUTER CTR  IBM 3081 MODEL D OS/VS1

UCI70

MEAN          114.022      MEDIAN        82.852      STD DEV     111.043
MINIMUM          .238      MAXIMUM      602.814

PERCENTILE      VALUE      PERCENTILE     VALUE      PERCENTILE    VALUE

  20.00        18.836        40.00       55.086        60.00     107.807
  80.00       198.536

VALID CASES       776      MISSING CASES    38

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UCI80

MEAN          117.992      MEDIAN        63.707      STD DEV     138.604
MINIMUM          .011      MAXIMUM      792.815

PERCENTILE      VALUE      PERCENTILE     VALUE      PERCENTILE    VALUE

  20.00        15.880        40.00       42.553        60.00      94.949
  80.00       195.482

VALID CASES       814      MISSING CASES     0
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**National
Association of
Towns and Townships**

June 30, 1987

Mr. John Callahan
Staff Director
Subcommittee on Government Efficiency,
Federalism and the District of Columbia
Committee on Governmental Affairs
United States Senate
432 Hart Senate Office Building
Washington, D.C. 20510

Dear John:

We appreciate being offered the opportunity of presenting testimony before the subcommittee on the matter of the loss of general revenue sharing and the impact of its loss on small governments. While it was impossible for NATaT to appear in person on this occasion, we hope that we will be able to participate in future hearings.

I have enclosed our statement for the record. I believe our comments will be helpful as the committee drafts targeted fiscal assistance legislation. Our statement offers several suggestions for discussion with regard to developing criteria for a targeted program, and it is our hope that the subcommittee will consider these issues as it works to design an appropriate formula.

You may know that our Executive Director, Jeff Schiff, is particularly familiar with fiscal assistance formulas, as a result of his years of experience at the Office of Revenue Sharing; he would be very happy to work with you as you struggle with the intricacies and implications of various formula scenarios, if you feel that would be helpful.

In the meantime, I look forward to working with you on the targeted fiscal assistance legislation, and on other intergovernmental issues of concern to small towns and rural communities.

Sincerely,

A Cole

Ann Cole
Director of Federal Affairs

AC:vb

Enclosure

1522 K Street, Northwest, Suite 730 Washington, D.C. 20005 Telephone: (202) 737-5200

STATEMENT FOR THE RECORD, SUBMITTED BY THE NATIONAL ASSOCIATION OF TOWNS AND TOWNSHIPS (NATaT), TO THE SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS, SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FEDERALISM AND THE DISTRICT OF COLUMBIA, ON THE LOSS OF THE GENERAL REVENUE SHARING PROGRAM, FOR HEARINGS HELD ON JUNE 25, 1987.

The National Association of Towns and Townships (NATaT) is pleased to have this opportunity to submit its views and provide the subcommittee with the benefit of our members' experience since the loss of the General Revenue Sharing Program. NATaT is a non-profit membership organization offering public policy support, education services and technical assistance to over 13,000 towns, townships and small governments across the United States. As such, NATaT is the only group speaking exclusively for small governments which, not incidentally, are the vast majority of governments in this country.

It is important to realize that of all general purpose local governments in the United States--towns, townships, cities, and counties, only eight percent are over 10,000 in population. Conversely, an astonishing 92 percent of governments have populations below 10,000. Thus, America truly is a nation of small towns--but few think of the country in these terms. All to often these local governments are assumed to have a large payroll, staff, accountants, lawyers, engineers, planners, computers, travel budgets and plenty of options, when in fact, they have none or few of these.

Federal policies generally are written for only the top three percent of our governments--those over 50,000 in population. We believe that the majority--the small governments--deserve special attention. In order to be implemented properly at the local level, federal policies should be flexible enough to deal with the realities facing most local governments today. These are intergovernmental partners which are run by the efforts of civic-minded and caring people, mostly volunteers donate their time and expertise as a service to their friends and neighbors in the community. Their budgets are strained to solve even local problems, let alone to meet the constant onslaught of new, unfunded federal mandates. The vast majority of these local governments received only one form of assistance from the federal government--general revenue sharing--and now they are left with none.

USE OF GENERAL REVENUE SHARING MONEY

One can find no justification in terminating the program based on the way towns, townships and small governments spent their revenue sharing money. They expended it on vital local priorities--fire services, police protection and public safety, roads, bridges, and public improvements. NATaT's 1983 survey showed that nearly 80 percent of the NATaT members responding applied their revenue sharing allocation to transportation programs; 34 percent used the bulk of their funds for fire, rescue and police services; and 35 percent of those reporting allocated it to poor, elderly and youth services. Smaller percentages were used for libraries, health programs, parks and recreation, and solid and hazardous waste disposal.

By and large, the vast majority of towns, townships and small governments used these funds for capital improvements; rather than ongoing human service programs.

Big Island Township, Ohio, for example, used its nearly $8,000 annual allocation for its road and bridge replacement program. Warren Township, Ohio spent its funds on road resurfacing labor and materials; Rivertown Township, Minn. purchased and installed security lights at each intersection, and Manor Township, Penn. used its allocation to purchase fire trucks, dump trucks, front-end loaders and built an addition to its town hall.

Many townships used their funds to buy police cruisers, and to upgrade their fire and rescue services. Bath Township, Ohio utilized its GRS money to install a 911 emergency system for fire, rescue and police services. Miami Township, Ohio, purchased emergency medical services--two ambulances, protective clothing for the fire department, and communication beepers for each of their volunteer firemen. Because they have been able to improve their equipment to the state-of-the art, the township will serve as the hazmat team for the entire county area, meeting the new federal mandate under Superfund "Right to Know" provisions. There was no conceivable way this township could have built this emergency response program without general revenue sharing. In fact, almost all of these expenditures were capital-intensive; high ticket items which could not have been purchased without the help of GRS.

Why are small government expenditures so capital-intensive? The answer lies first in the nature of the services provided by town, township and small governments; and second in small governments' mistrust that Washington would continue to support the program.

For the most part, towns and townships are relied upon to provide the very basic physical and social infrastructure services --primarily roads and bridges, police, rescue and fire--all of which require costly equipment, materials, and maintenance. Most small governments have few full-time staff and depend on volunteer labor, so their ongoing payroll costs are minimal. Their payroll is generally limited to a small road crew, their very small police force, and intermittent contract labor.

Numerous reports have documented the enormous infrastructure needs of local government. Therefore the use of flexible GRS dollars for these purposes should not be surprising. In addition, the fiscally conservative local government managers in small town America were constantly fearful that what the federal government gave, it could easily take away. This innate prudence caused them to avoid, to the greatest extent possible, using GRS funds for recurring expenses. They did not want to be "left holding the bag"--a policy which ultimately was proved to be unfortunately wise.

EFFECTS OF THE LOSS OF GENERAL REVENUE SHARING

The way in which small governments used their GRS monies has determined the impact of the loss of this program on their community. For those communities which placed their funds in programs which incurred ongoing costs, the sense of loss was immediate and significant, requiring cutbacks in services and/or increased taxes. For those governments which were wary, and directed their funds to programs with non-recurring costs, the effect will be more long term. For these communities, the real pinch will be felt when they need to replace high ticket equipment purchased--when the roads, bridges, fire trucks, ambulances, and police cruisers wear out. By and large, these small communities have no reserve pools to replace this equipment. Since the cost of government is running far higher than a small (and many times eroding) community tax base can support, many of these towns, townships and small governments have no hope of putting aside funds for capital improvement planning. For many, it will simply mean reliance on unpredictable and outdated equipment which could threaten loss of property and life.

Whether the effect is immediate or long term, one fact remains clear: the loss of general revenue sharing has meant a definite decrease in the quality of life for small town America.

In Warren Township, Ohio, the government will consider a proposal next month to raise its real estate tax millage. An increase is needed because the township had to cut back its road crew to a four day week; and has set a policy of simply patching, rather than resurfacing local roads, since they do not have the resources to cover the cost of materials. Big Island Township, Ohio, increased its mill levy to the state-imposed limit this past year in order to raise the necessary funds to purchase road materials. This fall, township officials will consider a proposal to add a fire levy. For the citizens of Big Island, Ohio, new township taxes only add to the burden of a new, county-initiated one cent sales tax that the county established to meet its welfare costs. The citizens of Big Island, particularly those on fixed incomes, are hard-pressed to meet these new burdens.

Miami Township, Ohio will also consider a new levy this fall--one for fire, after just enacting a new police levy. If the proposed fire levy doesn't pass, the township will be forced to lay off its paid firemen.

The loss of general revenue sharing has meant an increase in local taxes--if local officials are not proposing to increase taxes now, they anticipate doing so in the not too distant future.

But increased tax is an avenue only for those communities which have not exhausted their present tax base--and that is rare. For many communities, citizens will not be able to absorb an additional increase. How does a township raise taxes when its citizens are on fixed incomes, are under employed or rely on businesses which are failing in a lagging rural economy? For these communities, there are no choices but to cut several services.

The loss of general revenue sharing for many of America's small towns and rural communities has been profound. While the ultimate impact may be delayed because of the nature of capital expenditures, it is clear that many of these small communities will not be able to sustain public services in the future. For many it means outdated and unpredictable equipment, fewer services, and increased taxes. So while Washington diligently worked to reduce its deficit and give the nation's citizens a tax break on the national level, it threw its local partners into chaos, and forced these governments to either reduce government services, or increase taxes--serving only to leave our nation's citizens no better, and perhaps worse, than before. As stated earlier, this impact is accentuated in small town America because of federal funds for these localities.

SUPPORT FOR GRS REPLACEMENT

NATaT believes that there continues to be strong rationale for the reauthorization of General Revenue Sharing. Despite the validity of the need however, we recognize the political reality that prevents the reauthorization of the old program, but which lends itself to the support of targeted fiscal assistance. As Congress is well aware, targeting fiscal assistance is not always easy; any approach must be carefully thought out in order to ensure that those most in need do indeed benefit. Traditionally, Congress has not done a good job in developing appropriately scaled formulas which directs money to the smallest of governments or to those with the greatest needs. Furthermore, targeting by its nature, means someone is left out. This reduces the scenario to a political guessing game in which congressional leaders must add up the votes to see what proposal can pass.

Targeting aid is possible, but a number of factors must be considered if the targeting is to be successful. NATaT encourages Congress to weigh the following factors in its deliberations:

o The Availability of the Data - Congress must be careful not to stipulate the use of data that does not exist. This was the case in the 1970's under the Anti-recession Fiscal Assistance program where the Department of Labor was expected to collect unemployment data after the fact for all 39,000 local government units in order to determine their program eligibility. There are many cases where federal data collection efforts maintain information on governments above a certain population level, but leave out the majority of local governments. Three-fourths of our governments are under 3,000 people, yet data collection often stops arbitrarily at 50,000 or 25,000 people or for metropolitan places only.

o The Validity of the Selected Measurements - Congress must be careful in selecting its measurement criteria in determining fiscal disparity under any targeting approach. Though tax effort and employment are favorite criteria, these forms of measurement do not accurately reflect fiscal needs for most small communities and rural governments.

Tax effort measures only what a particular government is taxing, but it does not take into account two very important factors: whether services are being provided through the use of volunteers or through inter-local contracting arrangements, or whether the community can afford to pay the tax. In many of our small communities, most public services are provided through community spirit and cooperation and consequently, the tax effort is lower. In many cases, this reliance on "sweat equity" is precipitated because these small, self-reliant communities cannot afford to pay high taxes; their local economies could not sustain them. For many, the rural crisis of the 80's has totally precluded any possibility of raising their tax effort. Tax effort is a poor measurement if Congress is trying to target funds to the smallest of governments because it will not accurately reflect the fiscal need of a particular small community.

With regard to an unemployment criterion, unemployment--and in particular, underemployment--are serious problems within rural and small town America. However, because rural economies have lagged for so long, many people are off the unemployment rolls, remain unemployed and are not being counted. Therefore, unemployment statistics do not work in targeting formulas for small and rural communities.

o De Minimis Requirements - Congress should recognize that small towns and rural governments can achieve a great deal with small amounts of funds. Because an allocation is $1,000 or $2,000, Washington often assumes that the amount is so small that the benefits could not outweigh the administrative overhead. Nothing could be farther from the truth. For many of our small towns and rural governments $1,000, $2,000 and $6,000 are 10 to 15 percent of their entire local budgets. Officials from these small governments are quite adept at doing much with very little.

Congress must recognize that even the smallest allocations are worthwhile.

CONCLUSION

In conclusion, America's small town governments have suffered a great loss since Congress saw fit to terminate general revenue sharing. We believe that this hearing will substantiate the need to establish a program very similar in concept to the GRS program, and feel strongly that this subcommittee should continue its work toward that end. We look forward to working with you as you consider methods for addressing this crisis situation for local governments.

Testimony of the
Tennessee Municipal League

Presented to

Senator James Sasser

Chairman

Senate Sub-committee on
Government Efficiency, Federalism
and the District of Columbia

"Revenue Sharing in Tennessee, and Beyond"

July 13, 1987

I. Overview

General Revenue Sharing was an integral part of intergovernmental aid for municipalities in Tennessee. From 1980 until its demise this program provided over $350 million. Cities used this money for a plethora of programs and functions. Municipal officials generally agree that the General Revenue Sharing program was one of the most flexible and beneficial federal programs ever administered. Local officials across the State of Tennessee further agree that the program will be greatly missed.

II. Used to Provide Important Functions

Contrary to popular belief, all federal spending programs are not used for additional perks and spent wastefully. In Tennessee, revenue sharing money was used to provide basic services. Over 70% of the money went to expenditures pertaining to police protection, fire protection, road building and maintenance and education (see Table 1, page 5 and Chart 1, page 6).

Table 1 uses data for the latest audit period. In that fiscal year cities received $50.5 million. The expenditures ranged from $11.8 million on police protection to $106 thousand on health care and prevention.

III. Important Part of Federal Aid

General Revenue Sharing was a very important part of the overall federal aid which municipalities received. Generally, other than revenue sharing, cities receive money designated for education, and various grants for specific uses. Since only approximately forty cities receive education money, and grants come to most cities on a sporadic or short term basis, General Revenue Sharing was the main financial tie between themselves and Washington, D.C.

The importance of revenue sharing as a federal aid source is best illustrated by the fact that between 1980 and the last year of audited figures its proportion of total federal aid rose from 19% to 25.6% (see Chart 2, page 7). Further illustration of this point is shown in Table 2 (see page 8). This table reveals that 183 cities received their total federal aid from revenue sharing. It shows that 255 cities, 76% of all towns in Tennessee, received over 50% of their federal aid from revenue sharing.

The implications are many, but two tend to be of greater importance. The first implication is that 183 municipalities may no longer receive any direct federal aid. The second implication is that seventy-two additional municipalities have had their direct federal aid cut and reduced by between 50% to 90%.

Bearing in mind that the proportion of General Revenue Sharing to total federal aid was only 25.6% for all towns, while in 255 towns the proportion was over 50%, it appears there may be a relationship between the importance of revenue sharing and town size. Tables 3 and 4 show the details of this relationship.

Table 3 (see page 9) is an overview. It shows cities divided into fourteen population classes, and the proportions of revenue sharing to total federal aid. It is not surprising that the four largest cities have the lowest dependency at 21%. (The population class of 500 to 700 shows a lower percent, but one city in that group received an $850 thousand grant. Without that extraordinary amount, its proportion would have been 35%.) The other proportions ranged from 79% to 34%.

Table 4 (see page 10) shows the detail of each population class and city. This table shows the population, the amount of revenue sharing, the total amount of federal aid, and the percent revenue sharing was of federal aid. One can readily see there is much differential even within each population class.

IV. Replacing Lost Funds

In Tennessee municipal government is limited in the methods it may use to raise money. The only major revenues which can be raised by the local governing body is the property tax. Various fees which do not generate much, if any, money in small towns, are another alternative for partial replacement. At present, state government has a fiscal policy of not replacing any federal dollars.

The start of this budget year, FY 1987-88, will give a better indication as to which method, if any, will be used to replace lost dollars. All of the budgets are not set at present, however, another method may be used to project what each municipality would have to raise its property tax revenues up to just to restore dollars.

Tables 5 and 6 tell the story. Table 5 (see page 20) shows an overview again by population class. It shows that the largest four cities would have to raise their property tax revenues by 9.5%. At the other end of the spectrum are the smallest cities which would need to increase their property tax revenues by 59.5%. In fact, several of the cities in the lower population classes would have to initiate a property tax. Whether a reasonable rate would still produce a sufficient amount of dollars in these smaller, poorer towns is debatable. The increase of property tax revenue needed in the other population classes range from 10% to 53%.

Table 6 (see page 21) shows each population class and municipality in detail. Property tax collections for the last audited period are shown, and the percent that revenue sharing was of those collections. Once again, there is a great differential within each population class. For some municipalities the raising of their property tax to replace funds would prove to be too great a burden.

V. Summary

This paper has shown the historical value that General Revenue Sharing provided to cities. It has shown the value of revenue sharing as a portion of direct federal aid which cities depended upon year-in and year-out to provide vital, necessary functions. This paper shows, or attempts to show, that the burden placed upon some municipalities in attempting to replace lost revenue sharing funds would be great.

It appears that an argument can be made that federal aid similiar to revenue sharing is needed in some municipalities. The amount and criteria for such a program will not be addressed here. But, based on the data presented, it appears that smaller, rural cities may be in line for more federal help of this nature. On the opposite end, are the large cities which previously received the greatest amount of money and provided the greatest amount of services to more people, but are probably more capable of replacing the lost funds. These cities are in line for more designated funds.

TABLE 1

GENERAL REVENUE SHARING EXPENDITURES IN TENNESSEE BY FUNCTION

FUNCTION	DOLLARS SPENT (THS $)	% OF TOTAL
POLICE	11,789	23.33%
FIRE	9,000	17.81%
ROADS	8,075	15.98%
EDUCATION	6,862	13.58%
PARKS AND RECREATION	3,467	6.86%
ALL OTHER	1,850	3.66%
GARBAGE COLLECTION	1,834	3.63%
PRINCIPAL ON DEBT	1,627	3.22%
FINANCIAL AND GENERAL ADM.	1,521	3.01%
SEWERAGE	1,445	2.86%
UTILITIES	1,329	2.63%
INTEREST - GENERAL DEBT	1,182	2.34%
LIBRARIES	328	0.65%
WELFARE	111	0.22%
HEALTH	106	0.21%
TOTALS	50,533	100.00%

SOURCE: UT;MUNICIPAL TECHNICAL ADVISORY SERVICE (MTAS),
TN. MUNICIPAL LEAGUE CALCULATIONS

CHART 1

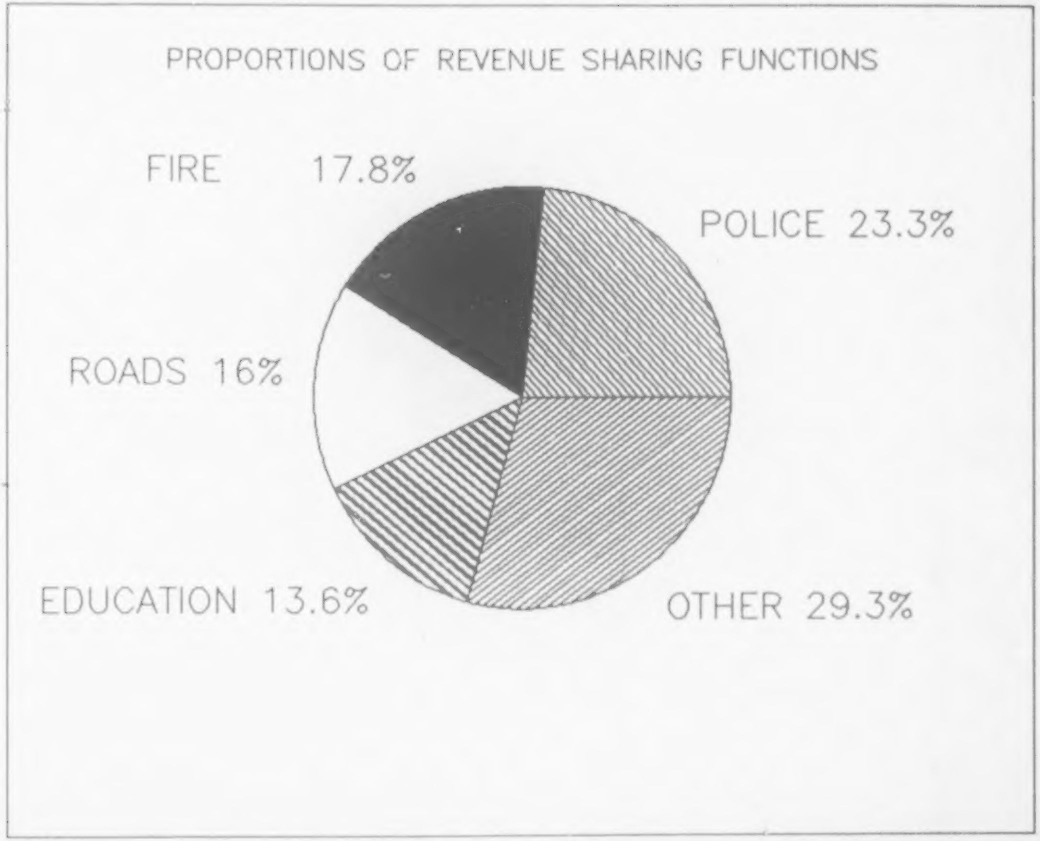
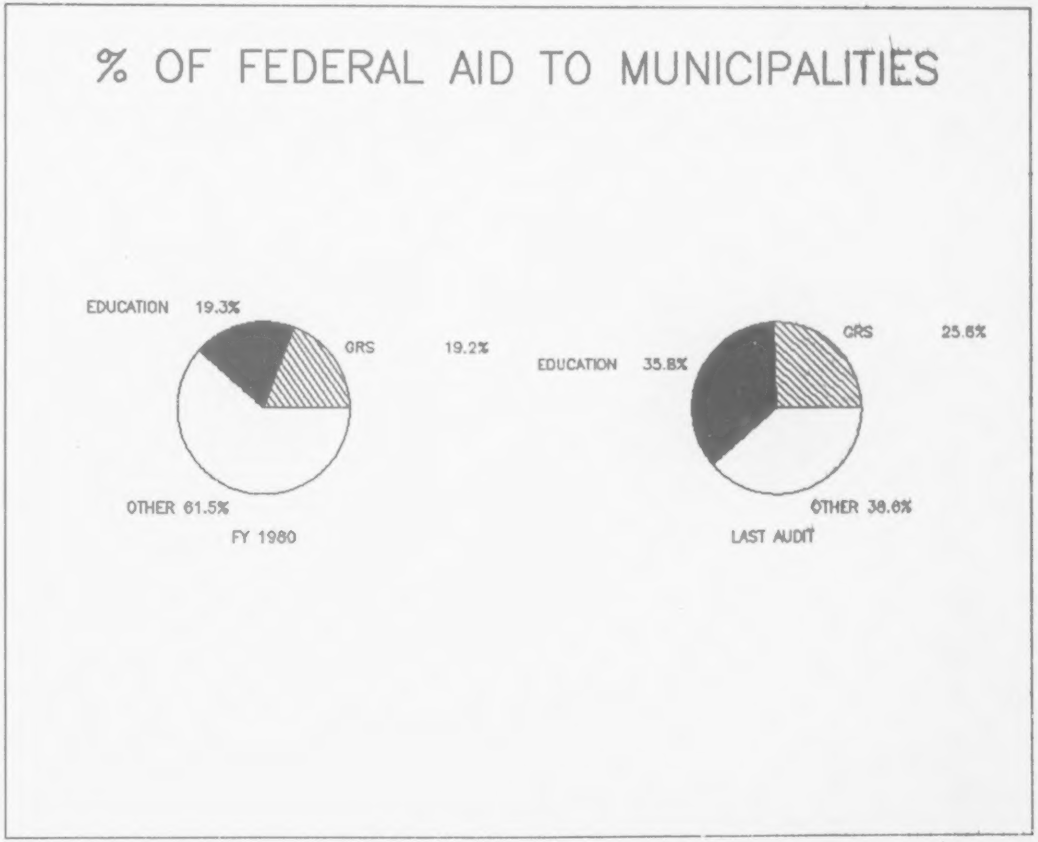

PROPORTIONS OF REVENUE SHARING FUNCTIONS
FIRE 17.8%
POLICE 23.3%
ROADS 16%
EDUCATION 13.6%
OTHER 29.3%

CHART 2



% OF FEDERAL AID TO MUNICIPALITIES

TABLE 2

REVENUE SHARING PROPORTION OF TOTAL FEDERAL AID

NUMBER OF TOWNS	% RANGE
183	100 %
41	90 - 99%
20	70 - 89%
11	50 - 69%
27	30 - 50%
22	20 - 30%
10	10 - 20%
20	BELOW 10%

TABLE 3

OVERVIEW--GENERAL REVENUE SHARING COMPARED TO TOTAL FEDERAL AID

OBS.	POPULATION CLASS	NO. IN CLASS	GENERAL REVENUE SHARING (THS $)	TOTAL REVENUE FEDERAL GOVT. (THS $)	GRS AS % OF FEDERAL GOVT. REVENUE
1	ABOVE 160,000	4	30,456	146,461	20.79%
2	30,000 TO 55,000	5	4,138	11,179	37.02%
3	20,000 TO 30,000	11	3,023	8,248	36.65%
4	10,000 TO 18,000	20	4,285	12,497	34.29%
5	8,000 - 9,500	11	1,504	3,901	38.55%
6	5,000 - 7,300	22	2,384	6,342	37.59%
7	3,000 - 5,000	32	1,781	2,782	64.02%
8	2,500 TO 3,000	12	510	1,316	38.75%
9	2,000 TO 2,500	26	844	1,207	69.93%
10	1,500 TO 2,000	19	362	613	59.05%
11	1,000 TO 1,500	44	562	1,403	40.06%
12	750 TO 1,000	27	251	317	79.18%
13	500 TO 750	42	251	1,548	16.21%
14	BELOW 500	58	182	532	34.21%
	TOTALS	333	50,533	198,346	25.48%

SOURCE: DIVISION OF MUNICIPAL AUDIT, COMPTROLLER'S OFFICE.;
TN. MUNICIPAL LEAGUE CALCULATIONS

TABLE 4

GENERAL REVENUE SHARING AS % OF TOTAL FEDERAL AID, BY POPULATION

OBS.	CITY NAME	POPULATION	GENERAL REVENUE SHARING (THS $)	TOTAL REVENUE FEDERAL GOVT. (THS $)	GRS AS % OF FEDERAL GOVT. REVENUE
1	MEMPHIS	646,174	12,453	74,274	16.77%
2	NASHVILLE(METRO GOVT.)	344,273	10,260	50,842	20.18%
3	KNOXVILLE	175,045	4,083	11,802	34.60%
4	CHATTANOOGA	169,728	3,660	9,543	38.35%
	SUB TOTALS		30,456	146,461	20.79%
1	CLARKSVILLE	54,777	628	2,308	27.21%
2	JACKSON	49,258	1,234	3,498	35.28%
3	JOHNSON CITY	43,854	924	1,912	48.33%
4	MURFREESBORO	37,661	636	1,092	58.24%
5	KINGSPORT	32,027	716	2,369	30.22%
	SUB TOTALS		4,138	11,179	37.02%
1	HENDERSONVILLE	29,434	125	170	73.53%
2	GERMANTOWN	28,060	119	485	24.54%
3	OAK RIDGE	27,662	251	2,216	11.33%
4	CLEVELAND	26,924	439	1,274	34.46%
5	COLUMBIA	26,571	362	378	95.77%
6	BRISTOL	23,986	350	1,299	26.94%
7	MORRISTOWN	21,768	536	1,513	35.43%
8	COOKEVILLE	21,512	395	442	89.37%
9	EAST RIDGE	21,236	107	109	98.17%
10	BARTLETT	20,818	155	169	91.72%
11	MILLINGTON	20,236	184	193	95.34%
	SUB TOTALS		3,023	8,248	36.65%
1	MARYVILLE	17,807	234	974	24.02%
2	GALLATIN	17,191	262	623	42.05%
3	DYERSBURG	15,856	280	1,495	18.73%
4	TULLAHOMA	15,800	252	1,179	21.37%
5	FRANKLIN	14,687	158	184	85.87%
6	GREENEVILLE	14,113	362	1,202	30.12%
7	SHELBYVILLE	13,700	259	263	98.48%
8	RED BANK	13,129	58	59	98.31%
9	LEBANON	13,123	160	576	27.78%
10	ELIZABETHTON	12,460	575	1,101	52.23%
11	ATHENS	12,152	299	1,178	25.38%
12	BRENTWOOD	12,003	39	39	100.00%

continued

GENERAL REVENUE SHARING AS % OF TOTAL FEDERAL AID, BY POPULATION

OBS.	CITY NAME	POPULATION	GENERAL REVENUE SHARING (THS $)	TOTAL REVENUE FEDERAL GOVT. (THS $)	GRS AS % OF FEDERAL GOVT. REVENUE
13	MCMINNVILLE	11,796	174	178	97.75%
14	SMYRNA	11,378	104	107	97.20%
15	SPRINGFIELD	10,883	182	472	38.56%
16	PARIS	10,818	181	183	98.91%
17	UNION CITY	10,662	194	402	48.26%
18	BROWNSVILLE	10,358	149	1,501	9.93%
19	HUMBOLDT	10,209	185	588	31.46%
20	LAWRENCEBURG	10,184	178	193	92.23%
	SUB TOTALS		4,285	12,497	34.29%
1	COLLIERVILLE	9,480	123	128	96.09%
2	MARTIN	8,985	126	300	42.00%
3	LEWISBURG	8,760	169	368	45.92%
4	HARRIMAN	8,524	121	419	28.88%
5	SODDY-DAISY	8,505	52	211	24.64%
6	LAFOLLETTE	8,342	180	727	24.76%
7	GOODLETTSVILLE	8,327	146	146	100.00%
8	CLINTON	8,200	98	312	31.41%
9	MILAN	8,135	112	575	19.48%
10	FAYETTEVILLE	8,063	180	363	49.59%
11	NEWPORT	8,031	197	352	55.97%
	SUB TOTALS		1,504	3,901	38.55%
1	MANCHESTER	7,250	131	355	36.90%
2	PULASKI	7,195	123	150	82.00%
3	DICKSON	7,040	157	183	85.79%
4	SAVANNAH	6,992	114	177	64.41%
5	ALCOA	6,882	179	303	59.08%
6	BOLIVAR	6,777	121	130	93.08%
7	LAVERGNE	6,668	58	58	100.00%
8	CROSSVILLE	6,405	172	204	84.31%
9	RIPLEY	6,395	116	126	92.06%
10	FARRAGUT	6,360	24	27	88.89%
11	COVINGTON	6,197	162	913	17.74%
12	WINCHESTER	6,195	101	106	95.28%
13	LEXINGTON	5,934	91	91	100.00%
14	SIGNAL MOUNTAIN	5,818	32	34	94.12%
15	JEFFERSON CITY	5,775	107	150	71.33%
16	ROCKWOOD	5,775	107	966	11.08%

continued

GENERAL REVENUE SHARING AS % OF TOTAL FEDERAL AID, BY POPULATION

OBS.	CITY NAME	POPULATION	GENERAL REVENUE SHARING (THS $)	TOTAL REVENUE FEDERAL GOVT. (THS $)	GRS AS % OF FEDERAL GOVT. REVENUE
17	DAYTON	5,736	74	1,016	7.28%
18	MCKENZIE	5,459	90	90	100.00%
19	LENOIR CITY	5,443	68	470	14.47%
20	SEVIERVILLE	5,366	122	268	45.52%
21	SWEETWATER	5,310	123	262	46.95%
22	SPARTA	5,019	112	263	42.59%
	SUB TOTALS		2,384	6,342	37.59%
1	ERWIN	4,993	92	96	95.83%
2	KINGSTON	4,635	31	32	96.88%
3	HENDERSON	4,632	55	201	27.36%
4	OAK HILL	4,609	17	17	100.00%
5	COLLEGEDALE	4,607	60	60	100.00%
6	TRENTON	4,601	74	76	97.37%
7	FOREST HILLS	4,516	17	17	100.00%
8	HUNTINGDON	4,513	72	72	100.00%
9	WAVERLY	4,405	71	71	100.00%
10	ROGERSVILLE	4,368	113	536	21.08%
11	ONEIDA	4,242	79	80	98.75%
12	LOUDON	4,143	95	168	56.55%
13	PORTLAND	4,140	47	127	37.01%
14	CHURCH HILL	4,134	37	38	97.37%
15	CAMDEN	4,023	63	65	96.92%
16	HOHENWALD	4,008	87	90	96.67%
17	SELMER	3,979	80	81	98.77%
18	ETOWAH	3,977	59	118	50.00%
19	MT. CARMEL	3,885	17	17	100.00%
20	SMITHVILLE	3,839	47	48	97.92%
21	LAFAYETTE	3,808	91	181	50.28%
22	FAIRVIEW	3,772	24	25	96.00%
23	SOUTH PITTSBURG	3,723	61	62	98.39%
24	DUNLAP	3,681	62	62	100.00%
25	OLIVER SPRINGS	3,659	49	49	100.00%
26	GATLINBURG	3,577	86	86	100.00%
27	LIVINGSTON	3,504	88	89	98.88%
28	MT. PLEASANT	3,375	41	152	26.97%
29	MT. JULIET	3,354	11	11	100.00%
30	BELLE MEADE	3,182	12	12	100.00%
31	GREENBRIER	3,180	12	12	100.00%
32	SOUTH FULTON	3,026	31	31	100.00%

continued

GENERAL REVENUE SHARING AS % OF TOTAL FEDERAL AID, BY POPULATION

OBS.	CITY NAME	POPULATION	GENERAL REVENUE SHARING (THS $)	TOTAL REVENUE FEDERAL GOVT. (THS $)	GRS AS % OF FEDERAL GOVT. REVENUE
	SUB TOTALS		1,781	2,782	64.02%
1	MADISONVILLE	2,904	55	55	100.00%
2	PIGEON FORGE	2,849	51	103	49.51%
3	JONESBOROUGH	2,829	55	55	100.00%
4	CENTERVILLE	2,824	62	69	89.86%
5	JELLICO	2,798	73	313	23.32%
6	NEWBERN	2,794	42	42	100.00%
7	HARTSVILLE	2,674	44	199	22.11%
8	CARTHAGE	2,672	25	25	100.00%
9	JASPER	2,670	23	23	100.00%
10	MONTEREY	2,629	36	41	87.80%
11	ALAMO	2,615	19	328	5.79%
12	HALLS	2,562	25	63	39.68%
	SUB TOTALS		510	1,316	38.75%
1	DRESDEN	2,493	36	36	100.00%
2	MUNFORD	2,481	9	9	100.00%
3	PARSONS	2,457	35	35	100.00%
4	DYER	2,442	27	27	100.00%
5	TIPTONVILLE	2,438	36	39	92.31%
6	ALGOOD	2,406	33	39	84.62%
7	WOODBURY	2,385	37	37	100.00%
8	JAMESTOWN	2,364	86	86	100.00%
9	LAKE CITY	2,335	62	62	100.00%
10	ASHLAND CITY	2,329	29	29	100.00%
11	LAKEWOOD	2,325	8	8	100.00%
12	MOUNTAIN CITY	2,284	57	59	96.61%
13	SOMERVILLE	2,264	58	66	87.88%
14	DECHERD	2,233	49	49	100.00%
15	SPRING CITY	2,232	21	221	9.50%
16	WHITE HOUSE	2,225	32	32	100.00%
17	TUSCULUM	2,192	8	8	100.00%
18	GREENFIELD	2,109	26	28	92.86%
19	WAYNESBORO	2,109	43	47	91.49%
20	TAZEWELL	2,105	38	40	95.00%
21	WHITE BLUFF	2,095	12	12	100.00%
22	PIKEVILLE	2,085	23	23	100.00%
23	CARYVILLE	2,039	40	45	88.89%

continued

GENERAL REVENUE SHARING AS % OF TOTAL FEDERAL AID, BY POPULATION

OBS.	CITY NAME	POPULATION	GENERAL REVENUE SHARING (THS $)	TOTAL REVENUE FEDERAL GOVT. (THS $)	GRS AS % OF FEDERAL GOVT. REVENUE
24	WHITE PINE	2,038	26	157	16.56%
25	GRUETLI-LAAGER	2,021	8	8	100.00%
26	MILLERSVILLE	2,010	5	5	100.00%
	SUB TOTALS		844	1,207	69.93%
1	RIDGELY	1,932	24	24	100.00%
2	LOOKOUT MOUNTAIN	1,886	9	9	100.00%
3	ENGLEWOOD	1,840	11	11	100.00%
4	NEW JOHNSONVILLE	1,824	13	79	16.46%
5	COWAN	1,790	15	15	100.00%
6	WHITWELL	1,783	14	14	100.00%
7	ARLINGTON	1,778	35	163	21.47%
8	WESTMORELAND	1,754	33	33	100.00%
9	BELLS	1,737	21	75	28.00%
10	JACKSBORO	1,729	6	6	100.00%
11	NEW TAZEWELL	1,677	42	44	95.45%
12	ERIN	1,614	33	33	100.00%
13	LORETTO	1,612	16	16	100.00%
14	CELINA	1,580	25	25	100.00%
15	BRUCETON	1,579	16	16	100.00%
16	MOSHEIM	1,569	12	13	92.31%
17	SURGOINSVILLE	1,559	8	8	100.00%
18	KENTON	1,551	18	18	100.00%
19	TRACY CITY	1,536	11	11	100.00%
	SUB TOTALS		362	613	59.05%
1	ADAMSVILLE	1,453	29	29	100.00%
2	NORRIS	1,443	11	16	68.75%
3	BAXTER	1,411	9	9	100.00%
4	RUTHERFORD	1,398	15	15	100.00%
5	DANDRIDGE	1,383	18	18	100.00%
6	GRAYSVILLE	1,380	7	7	100.00%
7	GLEASON	1,356	17	18	94.44%
8	MCEWEN	1,352	16	17	94.12%
9	NEW MARKET	1,336	5	221	2.26%
10	TENNESSEE RIDGE	1,325	7	8	87.50%
11	ESTILL SPRINGS	1,324	8	8	100.00%
12	WATERTOWN	1,300	7	14	50.00%
13	WALDEN	1,293	5	5	100.00%

continued

GENERAL REVENUE SHARING AS % OF TOTAL FEDERAL AID, BY POPULATION

OBS.	CITY NAME	POPULATION	GENERAL REVENUE SHARING (THS $)	TOTAL REVENUE FEDERAL GOVT. (THS $)	GRS AS % OF FEDERAL GOVT. REVENUE
14	OBION	1,282	14	15	93.33%
15	WHITEVILLE	1,270	23	86	26.74%
16	SNEEDVILLE	1,254	21	21	100.00%
17	DOVER	1,237	14	14	100.00%
18	RIDGETOP	1,225	4	5	80.00%
19	KIMBALL	1,220	13	13	100.00%
20	BLAINE	1,219	4	4	100.00%
21	DECATUR	1,191	14	14	100.00%
22	RED BOILING SPRINGS	1,173	16	223	7.17%
23	BRADFORD	1,146	6	13	46.15%
24	ATWOOD	1,143	4	20	20.00%
25	SHARON	1,134	19	19	100.00%
26	MONTEAGLE	1,126	29	29	100.00%
27	SPENCER	1,126	5	7	71.43%
28	GAINESBORO	1,125	29	29	100.00%
29	BLUFF CITY	1,121	13	31	41.94%
30	BENTON	1,115	12	12	100.00%
31	BERRY HILL	1,113	30	30	100.00%
32	SPRING HILL	1,094	10	10	100.00%
33	TROY	1,093	17	17	100.00%
34	LINDEN	1,087	27	31	87.10%
35	PEGRAM	1,081	1	1	100.00%
36	CRAB ORCHARD	1,065	15	217	6.91%
37	COLLINWOOD	1,064	11	11	100.00%
38	RUTLEDGE	1,058	4	64	6.25%
39	HOLLOW ROCK	1,030	5	5	100.00%
40	PALMER	1,027	9	9	100.00%
41	KINGSTON SPRINGS	1,017	5	5	100.00%
42	BURNS	1,015	3	3	100.00%
43	DECATURVILLE	1,004	17	17	100.00%
44	SOUTH CARTHAGE	1,004	14	43	32.56%
	SUB TOTALS		562	1,403	40.06%
1	LOBELVILLE	993	11	11	100.00%
2	MAURY CITY	989	12	12	100.00%
3	HUNTLAND	983	9	9	100.00%
4	BRIGHTON	976	7	7	100.00%
5	LUTTRELL	962	5	5	100.00%
6	COALMONT	940	2	2	100.00%
7	TELLICO PLAINS	935	18	18	100.00%

continued

GENERAL REVENUE SHARING AS % OF TOTAL FEDERAL AID, BY POPULATION

OBS.	CITY NAME	POPULATION	GENERAL REVENUE SHARING (THS $)	TOTAL REVENUE FEDERAL GOVT. (THS $)	GRS AS % OF FEDERAL GOVT. REVENUE
8	MAYNARDVILLE	924	16	16	100.00%
9	TREZEVANT	921	11	11	100.00%
10	POWELLS CROSSROADS	918	3	3	100.00%
11	FRIENDSVILLE	908	3	3	100.00%
12	ST. JOSEPH	897	20	21	95.24%
13	GORDONSVILLE	893	10	10	100.00%
14	BYRDSTOWN	884	18	18	100.00%
15	BETHEL SPRINGS	873	5	5	100.00%
16	CROSS PLAINS	872	6	17	35.29%
17	LAKELAND	867	7	7	100.00%
18	CHAPEL HILL	861	3	3	100.00%
19	ARDMORE	835	20	21	95.24%
20	BULLS GAP	821	3	3	100.00%
21	GALLAWAY	804	16	68	23.53%
22	NIOTA	791	7	7	100.00%
23	CHARLOTTE	788	6	6	100.00%
24	FRIENDSHIP	786	3	3	100.00%
25	CLIFTON	773	9	9	100.00%
26	WARTBURG	761	11	11	100.00%
27	CHARLESTON	756	10	11	90.91%
	SUB TOTALS		251	317	79.18%
1	PIPERTON	746	4	4	100.00%
2	GATES	729	5	5	100.00%
3	HUNTSVILLE	724	7	7	100.00%
4	CORNERSVILLE	722	5	5	100.00%
5	TRIMBLE	722	11	11	100.00%
6	NEW HOPE	718	4	4	100.00%
7	SCOTTS HILL	712	8	8	100.00%
8	PETERSBURG	704	6	6	100.00%
9	ATOKA	691	7	7	100.00%
10	ALEXANDRIA	689	7	9	77.78%
11	MEDINA	687	5	5	100.00%
12	GADSDEN	683	2	2	100.00%
13	ALTAMONT	679	4	4	100.00%
14	GREENBACK	670	2	2	100.00%
15	LYNCHBURG	668	9	9	100.00%
16	ALLARDT	654	2	195	1.03%
17	LAKESITE	651	2	2	100.00%
18	BIG SANDY	650	17	17	100.00%

continued

GENERAL REVENUE SHARING AS % OF TOTAL FEDERAL AID, BY POPULATION

OBS.	CITY NAME	POPULATION	GENERAL REVENUE SHARING (THS $)	TOTAL REVENUE FEDERAL GOVT. (THS $)	GRS AS % OF FEDERAL GOVT. REVENUE
19	BEERSHEBA SPRINGS	643	3	3	100.00%
20	HENNING	638	9	10	90.00%
21	PURYEAR	624	8	8	100.00%
22	ADAMS	600	3	14	21.43%
23	MIDDLETON	596	16	16	100.00%
24	CALHOUN	590	2	2	100.00%
25	MICHIE	588	4	4	100.00%
26	MORRISON	587	3	3	100.00%
27	DUCKTOWN	583	4	4	100.00%
28	WINFIELD	581	9	9	100.00%
29	ROCKFORD	567	3	3	100.00%
30	MINOR HILL	564	14	14	100.00%
31	BELL BUCKLE	563	2	2	100.00%
32	EASTVIEW	552	4	260	1.54%
33	ETHRIDGE	548	5	5	100.00%
34	ELKTON	540	14	14	100.00%
35	STANTON	540	7	7	100.00%
36	WARTRACE	540	4	836	0.48%
37	PITTMAN CENTER	528	3	3	100.00%
38	VONORE	528	9	9	100.00%
39	WOODLAND MILLS	526	3	5	60.00%
40	IRON CITY	525	6	6	100.00%
41	OAKLAND	519	7	7	100.00%
42	PHILADELPHIA	507	2	2	100.00%
	SUB TOTALS		251	1,548	16.21%
1	MOSCOW	499	12	12	100.00%
2	EAGLEVILLE	482	4	4	100.00%
3	MASON	471	12	105	11.43%
4	SAMBURG	465	10	10	100.00%
5	GIBSON	458	3	3	100.00%
6	HORNBEAK	452	3	3	100.00%
7	GRAND JUNCTION	437	7	7	100.00%
8	SALTILLO	434	2	2	100.00%
9	RAMER	429	3	3	100.00%
10	ORLINDA	424	1	1	100.00%
11	CEDAR HILL	420	1	1	100.00%
12	COPPERHILL	418	11	11	100.00%
13	RIDGESIDE	417	0	0	-----
14	GILT EDGE	409	1	1	100.00%

continued

GENERAL REVENUE SHARING AS % OF TOTAL FEDERAL AID, BY POPULATION

OBS.	CITY NAME	POPULATION	GENERAL REVENUE SHARING (THS $)	TOTAL REVENUE FEDERAL GOVT. (THS $)	GRS AS % OF FEDERAL GOVT. REVENUE
15	HORNSBY	401	4	4	100.00%
16	VANLEER	401	3	3	100.00%
17	CLARKSBURG	400	1	1	100.00%
18	TOWNSEND	397	4	4	100.00%
19	WILLISTON	395	1	1	100.00%
20	MILLEDGEVILLE	392	1	1	100.00%
21	BURLISON	386	2	2	100.00%
22	RIVES	386	3	3	100.00%
23	LYNNVILLE	383	3	3	100.00%
24	PLEASANT HILL	379	1	1	100.00%
25	ROSSVILLE	379	10	10	100.00%
26	WATAUGA	376	12	14	85.71%
27	LIBERTY	365	1	1	100.00%
28	TOONE	355	4	4	100.00%
29	DOYLE	344	1	1	100.00%
30	DOWELLTOWN	341	1	1	100.00%
31	BAILEYTON	333	7	8	87.50%
32	OAKDALE	323	8	150	5.33%
33	MCLEMORESVILLE	311	3	3	100.00%
34	YORKVILLE	310	1	1	100.00%
35	GARLAND	301	1	1	100.00%
36	SARDIS	301	3	3	100.00%
37	CENTERTOWN	300	1	1	100.00%
38	HENRY	295	3	3	100.00%
39	BRADEN	293	1	1	100.00%
40	ENVILLE	287	1	1	100.00%
41	CUMBERLAND CITY	276	6	118	5.08%
42	STANTONVILLE	271	1	1	100.00%
43	CUMBERLAND GAP	263	7	7	100.00%
44	HICKORY VALLEY	252	3	3	100.00%
45	FINGER	245	1	1	100.00%
46	PARKER'S CROSSROADS	219	5	5	100.00%
47	MEDON	210	1	1	100.00%
48	MITCHELLVILLE	209	1	1	100.00%
49	AUBURNTOWN	204	1	1	100.00%
50	LAGRANGE	185	2	2	100.00%
51	ORME	181	1	1	100.00%
52	COTTAGE GROVE	171	0	0	-----
53	SAULSBURY	156	1	1	100.00%
54	VIOLA	149	1	1	100.00%
55	NORMANDY	118	0	0	-----

continued

GENERAL REVENUE SHARING AS % OF TOTAL FEDERAL AID, BY POPULATION

OBS.	CITY NAME	POPULATION	GENERAL REVENUE SHARING (THS $)	TOTAL REVENUE FEDERAL GOVT. (THS $)	GRS AS % OF FEDERAL GOVT. REVENUE
56	PARROTTSVILLE	118	0	0	-----
57	SILERTON	100	0	0	-----
58	SLAYDEN	69	0	0	-----
	SUB TOTALS		182	532	34.21%
333	TOTALS		50,333	198,346	25.48%

NOTES: ----- THESE CITIES DID NOT SHOW ANY REVENUE SHARING DOLLARS

SOURCE: DIVISION OF MUNICIPAL AUDIT, COMPTROLLER'S OFFICE.;
TN. MUNICIPAL LEAGUE CALCULATIONS

TABLE 5

OVERVIEW--GENERAL REVENUE SHARING COMPARED TO PROPERTY TAX REVENUE

OBS.	POPULATION CLASS	NO. IN CLASS	GENERAL REVENUE SHARING (THS $)	PROPERTY TAX REVENUE (THS $)	GRS AS % OF PROPERTY TAX REVENUE
1	ABOVE 160,000	4	30,456	318,783	9.55%
2	30,000 TO 55,000	5	4,138	29,049	14.24%
3	20,000 TO 30,000	11	3,023	29,542	10.23%
4	10,000 TO 18,000	20	4,285	25,994	16.48%
5	8,000 TO 9,500	11	1,504	6,127	24.55%
6	5,000 TO 7,300	22	2,384	11,612	20.53%
7	3,000 TO 5,000	32	1,781	7,874	22.62%
8	2,500 TO 3,000	12	510	1,560	32.69%
9	2,000 TO 2,500	26	844	2,305	36.62%
10	1,500 TO 2,000	19	362	1,764	20.52%
11	1,000 TO 1,500	44	562	1,719	32.69%
12	750 TO 1,000	27	251	470	53.40%
13	500 TO 750	42	251	547	45.89%
14	BELOW 500	58	182	306	59.48%
	TOTALS	333	50,333	437,652	11.50%

SOURCE: DIVISION OF MUNICIPAL AUDIT, COMPTROLLER'S OFFICE.; TN. MUNICIPAL LEAGUE CALCULATIONS

TABLE 6

GENERAL REVENUE SHARING AS % OF PROPERTY TAX REVENUE, BY POPULATION

OBS.	CITY NAME	POPULATION	PROPERTY TAX COLLECTIONS	GRS AS % OF PROPERTY TAX REVENUE
1	MEMPHIS	646,174	116,304	10.71%
2	NASHVILLE(METRO GOVT.)	344,273	131,274	7.82%
3	KNOXVILLE	175,045	33,612	12.15%
4	CHATTANOOGA	169,728	37,593	9.74%
	SUB TOTALS		318,783	9.55%
1	CLARKSVILLE	54,777	2,626	23.91%
2	JACKSON	49,258	7,863	15.69%
3	JOHNSON CITY	43,854	6,659	13.88%
4	MURFREESBORO	37,661	4,545	13.99%
5	KINGSPORT	32,027	7,356	9.73%
	SUB TOTALS		29,049	14.24%
1	HENDERSONVILLE	29,434	1,822	6.86%
2	GERMANTOWN	28,060	4,494	2.65%
3	OAK RIDGE	27,662	6,650	3.77%
4	CLEVELAND	26,924	2,126	20.65%
5	COLUMBIA	26,571	1,318	27.47%
6	BRISTOL	23,986	4,847	7.22%
7	MORRISTOWN	21,768	3,945	13.59%
8	COOKEVILLE	21,512	1,047	37.73%
9	EAST RIDGE	21,236	816	13.11%
10	BARTLETT	20,818	2,083	7.44%
11	MILLINGTON	20,236	394	46.70%
	SUB TOTALS		29,542	10.23%
1	MARYVILLE	17,807	2,832	8.26%
2	GALLATIN	17,191	1,513	17.32%
3	DYERSBURG	15,856	1,867	15.00%
4	TULLAHOMA	15,800	1,852	13.61%
5	FRANKLIN	14,687	1,593	9.92%
6	GREENEVILLE	14,113	3,095	11.70%
7	SHELBYVILLE	13,700	1,401	18.49%
8	RED BANK	13,129	635	9.13%
9	LEBANON	13,123	555	28.83%
10	ELIZABETHTON	12,460	1,939	29.65%
11	ATHENS	12,152	1,441	20.75%
12	BRENTWOOD	12,003	895	4.36%
13	MCMINNVILLE	11,796	1,257	13.84%

continued

GENERAL REVENUE SHARING AS % OF PROPERTY TAX REVENUE, BY POPULATION

OBS.	CITY NAME	POPULATION	PROPERTY TAX COLLECTIONS	GRS AS % OF PROPERTY TAX REVENUE
14	SMYRNA	11,378	283	36.75%
15	SPRINGFIELD	10,883	702	25.93%
16	PARIS	10,818	326	55.52%
17	UNION CITY	10,662	1,261	15.38%
18	BROWNSVILLE	10,358	651	22.89%
19	HUMBOLDT	10,209	1,279	14.46%
20	LAWRENCEBURG	10,184	617	28.85%
	SUB TOTALS		25,994	16.48%
1	COLLIERVILLE	9,480	918	13.40%
2	MARTIN	8,985	217	58.06%
3	LEWISBURG	8,760	1,011	16.72%
4	HARRIMAN	8,524	514	23.54%
5	SODDY-DAISY	8,505	312	16.67%
6	LAFOLLETTE	8,342	398	45.23%
7	GOODLETTSVILLE	8,327	79	184.81%
8	CLINTON	8,200	903	10.85%
9	MILAN	8,135	324	34.57%
10	FAYETTEVILLE	8,063	685	26.28%
11	NEWPORT	8,031	766	25.72%
	SUB TOTALS		6,127	24.55%
1	MANCHESTER	7,250	727	18.02%
2	PULASKI	7,195	303	40.59%
3	DICKSON	7,040	763	20.58%
4	SAVANNAH	6,992	277	41.16%
5	ALCOA	6,882	2,321	7.71%
6	BOLIVAR	6,777	286	42.31%
7	LAVERGNE	6,668	-----	0.00%
8	CROSSVILLE	6,405	411	41.85%
9	RIPLEY	6,395	442	26.24%
10	FARRAGUT	6,360	-----	0.00%
11	COVINGTON	6,197	784	20.66%
12	WINCHESTER	6,195	467	21.63%
13	LEXINGTON	5,934	346	26.30%
14	SIGNAL MOUNTAIN	5,818	1,211	2.64%
15	JEFFERSON CITY	5,775	281	38.08%
16	ROCKWOOD	5,775	414	25.85%
17	DAYTON	5,736	468	15.81%
18	MCKENZIE	5,459	173	52.02%

continued

GENERAL REVENUE SHARING AS % OF PROPERTY TAX REVENUE, BY POPULATION

OBS.	CITY NAME	POPULATION	PROPERTY TAX COLLECTIONS	GRS AS % OF PROPERTY TAX REVENUE
19	LENOIR CITY	5,443	402	16.92%
20	SEVIERVILLE	5,366	268	45.52%
21	SWEETWATER	5,310	716	17.18%
22	SPARTA	5,019	552	20.29%
	SUB TOTALS		11,612	20.53%
1	ERWIN	4,993	334	27.54%
2	KINGSTON	4,635	250	12.40%
3	HENDERSON	4,632	193	28.50%
4	OAK HILL	4,609	-----	0.00%
5	COLLEGEDALE	4,607	378	15.87%
6	TRENTON	4,601	295	25.08%
7	FOREST HILLS	4,516	-----	0.00%
8	HUNTINGDON	4,513	190	37.89%
9	WAVERLY	4,405	262	27.10%
10	ROGERSVILLE	4,368	762	14.83%
11	ONEIDA	4,242	248	31.85%
12	LOUDON	4,143	614	15.47%
13	PORTLAND	4,140	287	16.38%
14	CHURCH HILL	4,134	62	59.68%
15	CAMDEN	4,023	102	61.76%
16	HOHENWALD	4,008	131	66.41%
17	SELMER	3,979	198	40.40%
18	ETOWAH	3,977	484	12.19%
19	MT. CARMEL	3,885	-----	0.00%
20	SMITHVILLE	3,839	162	0.00%
21	LAFAYETTE	3,808	219	41.55%
22	FAIRVIEW	3,772	130	18.46%
23	SOUTH PITTSBURG	3,723	108	56.48%
24	DUNLAP	3,681	144	43.06%
25	OLIVER SPRINGS	3,659	195	25.13%
26	GATLINBURG	3,577	431	19.95%
27	LIVINGSTON	3,504	425	20.71%
28	MT. PLEASANT	3,375	135	30.37%
29	MT. JULIET	3,354	-----	0.00%
30	BELLE MEADE	3,182	931	1.29%
31	GREENBRIER	3,180	75	16.00%
32	SOUTH FULTON	3,026	129	24.03%
	SUB TOTALS		7,874	22.62%

continued

GENERAL REVENUE SHARING AS % OF PROPERTY TAX REVENUE, BY POPULATION

OBS.	CITY NAME	POPULATION	PROPERTY TAX COLLECTIONS	GRS AS % OF PROPERTY TAX REVENUE
1	MADISONVILLE	2,904	121	45.45%
2	PIGEON FORGE	2,849	182	28.02%
3	JONESBOROUGH	2,829	264	20.83%
4	CENTERVILLE	2,824	171	36.26%
5	JELLICO	2,798	81	90.12%
6	NEWBERN	2,794	143	29.37%
7	HARTSVILLE	2,674	133	33.08%
8	CARTHAGE	2,672	137	18.25%
9	JASPER	2,670	75	30.67%
10	MONTEREY	2,629	99	36.36%
11	ALAMO	2,615	55	34.55%
12	HALLS	2,562	99	25.25%
	SUB TOTALS		1,560	32.69%
1	DRESDEN	2,493	168	21.43%
2	MUNFORD	2,481	46	19.57%
3	PARSONS	2,457	104	33.65%
4	DYER	2,442	121	22.31%
5	TIPTONVILLE	2,438	93	38.71%
6	ALGOOD	2,406	117	28.21%
7	WOODBURY	2,385	147	25.17%
8	JAMESTOWN	2,364	112	76.79%
9	LAKE CITY	2,335	70	88.57%
10	ASHLAND CITY	2,329	133	21.80%
11	LAKEWOOD	2,325	-----	0.00%
12	MOUNTAIN CITY	2,284	158	36.08%
13	SOMERVILLE	2,264	69	84.06%
14	DECHERD	2,233	151	32.45%
15	SPRING CITY	2,232	139	15.11%
16	WHITE HOUSE	2,225	213	15.02%
17	TUSCULUM	2,192	-----	0.00%
18	GREENFIELD	2,109	85	30.59%
19	WAYNESBORO	2,109	200	21.50%
20	TAZEWELL	2,105	-----	0.00%
21	WHITE BLUFF	2,095	88	13.64%
22	PIKEVILLE	2,085	35	65.71%
23	CARYVILLE	2,039	-----	0.00%
24	WHITE PINE	2,038	47	55.32%
25	GPUETLI-LAAGER	2,021	-----	0.00%
26	MILLERSVILLE	2,010	9	55.56%

continued

GENERAL REVENUE SHARING AS % OF PROPERTY TAX REVENUE, BY POPULATION

OBS.	CITY NAME	POPULATION	PROPERTY TAX COLLECTIONS	GRS AS % OF PROPERTY TAX REVENUE
	SUB TOTALS		2,305	36.62%
1	RIDGELY	1,932	79	30.38%
2	LOOKOUT MOUNTAIN	1,886	770	1.17%
3	ENGLEWOOD	1,840	99	11.11%
4	NEW JOHNSONVILLE	1,824	53	24.53%
5	COWAN	1,790	69	21.74%
6	WHITWELL	1,783	14	100.00%
7	ARLINGTON	1,778	157	22.29%
8	WESTMORELAND	1,754	53	62.26%
9	BELLS	1,737	112	18.75%
10	JACKSBORO	1,729	-----	0.00%
11	NEW TAZEWELL	1,677	-----	0.00%
12	ERIN	1,614	59	55.93%
13	LORETTO	1,612	29	55.17%
14	CELINA	1,580	50	50.00%
15	BRUCETON	1,579	77	20.78%
16	MOSHEIM	1,569	-----	0.00%
17	SURGOINSVILLE	1,559	-----	0.00%
18	KENTON	1,551	77	23.38%
19	TRACY CITY	1,536	66	16.67%
	SUB TOTALS		1,764	20.52%
1	ADAMSVILLE	1,453	97	29.90%
2	NORRIS	1,443	173	6.36%
3	BAXTER	1,411	59	15.25%
4	RUTHERFORD	1,398	75	20.00%
5	DANDRIDGE	1,383	82	21.95%
6	GRAYSVILLE	1,380	22	31.82%
7	GLEASON	1,356	73	23.29%
8	MCEWEN	1,352	55	29.09%
9	NEW MARKET	1,336	-----	0.00%
10	TENNESSEE RIDGE	1,325	37	18.92%
11	ESTILL SPRINGS	1,324	61	13.11%
12	WATERTOWN	1,300	46	15.22%
13	WALDEN	1,293	75	6.67%
14	OBION	1,282	57	24.56%
15	WHITEVILLE	1,270	39	58.97%
16	SNEEDVILLE	1,254	-----	0.00%
17	DOVER	1,237	49	28.82%
18	RIDGETOP	1,225	42	9.52%

continued

GENERAL REVENUE SHARING AS % OF PROPERTY TAX REVENUE, BY POPULATION

OBS.	CITY NAME	POPULATION	PROPERTY TAX COLLECTIONS	GRS AS % OF PROPERTY TAX REVENUE
19	KIMBALL	1,220	17	76.47%
20	BLAINE	1,219	-----	0.00%
21	DECATUR	1,191	48	29.17%
22	RED BOILING SPRINGS	1,173	39	41.03%
23	BRADFORD	1,146	35	17.14%
24	ATWOOD	1,143	-----	0.00%
25	SHARON	1,134	79	24.05%
26	MONTEAGLE	1,126	-----	0.00%
27	SPENCER	1,126	-----	0.00%
28	GAINESBORO	1,125	53	54.72%
29	BLUFF CITY	1,121	41	31.71%
30	BENTON	1,115	19	63.16%
31	BERRY HILL	1,113	-----	0.00%
32	SPRING HILL	1,094	21	47.62%
33	TROY	1,093	61	27.87%
34	LINDEN	1,087	62	43.55%
35	PEGRAM	1,081	-----	0.00%
36	CRAB ORCHARD	1,065	-----	0.00%
37	COLLINWOOD	1,064	67	16.42%
38	RUTLEDGE	1,058	-----	0.00%
39	HOLLOW ROCK	1,030	12	41.67%
40	PALMER	1,027	-----	0.00%
41	KINGSTON SPRINGS	1,017	59	8.47%
42	BURNS	1,015	-----	0.00%
43	DECATURVILLE	1,004	64	26.56%
44	SOUTH CARTHAGE	1,004	-----	0.00%
	SUB TOTALS		1,719	32.69%
1	LOBELVILLE	993	57	19.30%
2	MAURY CITY	989	28	42.86%
3	HUNTLAND	983	31	29.03%
4	BRIGHTON	976	13	53.85%
5	LUTTRELL	962	-----	0.00%
6	COALMONT	940	-----	0.00%
7	TELLICO PLAINS	935	24	75.00%
8	MAYNARDVILLE	924	-----	0.00%
9	TREZEVANT	921	22	50.00%
10	POWELLS CROSSROADS	918	-----	0.00%
11	FRIENDSVILLE	908	-----	0.00%
12	ST. JOSEPH	897	7	285.71%
13	GORDONSVILLE	893	83	12.05%

continued

GENERAL REVENUE SHARING AS % OF PROPERTY TAX REVENUE, BY POPULATION

OBS.	CITY NAME	POPULATION	PROPERTY TAX COLLECTIONS	GRS AS % OF PROPERTY TAX REVENUE
14	BYRDSTOWN	884	32	56.25%
15	BETHEL SPRINGS	873	6	83.33%
16	CROSS PLAINS	872	-----	0.00%
17	LAKELAND	867	-----	0.00%
18	CHAPEL HILL	861	19	15.79%
19	ARDMORE	835	12	166.67%
20	BULLS GAP	821	32	9.38%
21	GALLAWAY	804	-----	0.00%
22	NIOTA	791	35	20.00%
23	CHARLOTTE	788	8	75.00%
24	FRIENDSHIP	786	19	15.79%
25	CLIFTON	773	29	31.03%
26	WARTBURG	761	-----	0.00%
27	CHARLESTON	756	13	76.92%
	SUB TOTALS		470	53.40%
1	PIPERTON	746	-----	0.00%
2	GATES	729	18	27.78%
3	HUNTSVILLE	724	6	116.67%
4	CORNERSVILLE	722	31	16.13%
5	TRIMBLE	722	27	40.74%
6	NEW HOPE	718	7	57.14%
7	SCOTTS HILL	712	14	57.14%
8	PETERSBURG	704	18	33.33%
9	ATOKA	691	2	350.00%
10	ALEXANDRIA	689	26	26.92%
11	MEDINA	687	43	11.63%
12	GADSDEN	683	-----	0.00%
13	ALTAMONT	679	-----	0.00%
14	GREENBACK	670	-----	0.00%
15	LYNCHBURG	668	30	30.00%
16	ALLARDT	654	-----	0.00%
17	LAKESITE	651	18	11.11%
18	BIG SANDY	650	17	100.00%
19	BEERSHEBA SPRINGS	643	-----	0.00%
20	HENNING	638	14	64.29%
21	PURYEAR	624	14	57.14%
22	ADAMS	600	14	21.43%
23	MIDDLETON	596	21	76.19%
24	CALHOUN	590	12	16.67%
25	MICHIE	588	-----	0.00%

continued

GENERAL REVENUE SHARING AS % OF PROPERTY TAX REVENUE, BY POPULATION

OBS.	CITY NAME	POPULATION	PROPERTY TAX COLLECTIONS	GRS AS % OF PROPERTY TAX REVENUE
26	MORRISON	587	2	150.00%
27	DUCKTOWN	583	23	17.39%
28	WINFIELD	581	-----	0.00%
29	ROCKFORD	567	-----	0.00%
30	MINOR HILL	564	103	13.59%
31	BELL BUCKLE	563	6	33.33%
32	EASTVIEW	552	-----	0.00%
33	ETHRIDGE	548	-----	0.00%
34	ELKTON	540	3	466.67%
35	STANTON	540	14	50.00%
36	WARTRACE	540	30	13.33%
37	PITTMAN CENTER	528	21	14.29%
38	VONORE	528	-----	0.00%
39	WOODLAND MILLS	526	-----	0.00%
40	IRON CITY	525	3	200.00%
41	OAKLAND	519	6	116.67%
42	PHILADELPHIA	507	4	50.00%
	SUB TOTALS		547	45.89%
1	MOSCOW	499	21	57.14%
2	EAGLEVILLE	482	14	28.57%
3	MASON	471	7	171.43%
4	SAMBURG	465	-----	0.00%
5	GIBSON	458	15	20.00%
6	HORNBEAK	452	6	50.00%
7	GRAND JUNCTION	437	28	25.00%
8	SALTILLO	434	-----	0.00%
9	RAMER	429	-----	0.00%
10	ORLINDA	424	-----	0.00%
11	CEDAR HILL	420	4	25.00%
12	COPPERHILL	418	28	39.29%
13	RIDGESIDE	417	62	0.00%
14	GILT EDGE	409	-----	0.00%
15	HORNSBY	401	6	66.67%
16	VANLEER	401	3	100.00%
17	CLARKSBURG	400	-----	0.00%
18	TOWNSEND	397	-----	0.00%
19	WILLISTON	395	-----	0.00%
20	MILLEDGEVILLE	392	-----	0.00%
21	BURLISON	386	-----	0.00%
22	RIVES	386	16	18.75%

continued

GENERAL REVENUE SHARING AS % OF PROPERTY TAX REVENUE, BY POPULATION

OBS.	CITY NAME	POPULATION	PROPERTY TAX COLLECTIONS	GRS AS % OF PROPERTY TAX REVENUE
23	LYNNVILLE	383	8	37.50%
24	PLEASANT HILL	379	1	100.00%
25	ROSSVILLE	379	18	55.56%
26	WATAUGA	376	3	400.00%
27	LIBERTY	365	3	33.33%
28	TOONE	355	2	200.00%
29	DOYLE	344	-----	0.00%
30	DOWELLTOWN	341	-----	0.00%
31	BAILEYTON	333	-----	0.00%
32	OAKDALE	323	9	88.89%
33	MCLEMORESVILLE	311	10	30.00%
34	YORKVILLE	310	-----	0.00%
35	GARLAND	301	-----	0.00%
36	SARDIS	301	5	60.00%
37	CENTERTOWN	300	-----	0.00%
38	HENRY	295	9	33.33%
39	BRADEN	293	-----	0.00%
40	ENVILLE	287	-----	0.00%
41	CUMBERLAND CITY	276	8	75.00%
42	STANTONVILLE	271	-----	0.00%
43	CUMBERLAND GAP	263	3	233.33%
44	HICKORY VALLEY	252	1	300.00%
45	FINGER	245	-----	0.00%
46	PARKER'S CROSSROADS	219	-----	0.00%
47	MEDON	210	-----	0.00%
48	MITCHELLVILLE	209	5	20.00%
49	AUBURNTOWN	204	-----	0.00%
50	LAGRANGE	185	8	25.00%
51	ORME	181	-----	0.00%
52	COTTAGE GROVE	171	1	0.00%
53	SAULSBURY	156	1	100.00%
54	VIOLA	149	-----	0.00%
55	NORMANDY	118	1	0.00%
56	PARROTTSVILLE	118	-----	0.00%
57	SILERTON	100	-----	0.00%
58	SLAYDEN	69	-----	0.00%
	SUB TOTALS		306	59.48%
333	TOTALS	2,681,537	437,652	11.55%

NOTES: ----- MEANS THAT MUNICIPALITY DOES NOT COLLECT PROPERTY TAX.

SOURCE: DIVISION OF MUNICIPAL AUDIT, COMPTROLLER'S OFFICE.;
TN. MUNICIPAL LEAGUE CALCULATIONS

EXCERPTS FROM "THE FISCAL POSITION OF MUNICIPALITES IN THE STEEL VALLEY COUNCIL OF GOVERNMENTS"

7 CONCLUSION

7.1 The Future of the Local Governments in the Steel Valley COG

The next few years will be a very critical period for most of the governments in the Steel Valley COG. Major policy decisions will have to be made if the local governments are to remain financialy viable. If no policy changes are made, then the forecasts indicate that *each* of the local governments will face an operating deficit in 1989.[67] In conjunction with the operating deficits, governments that have existing liabilities must meet their debt obligations and identify means to decrease their unfunded accrued pension liabilities. In several cases, Clairton and Duquesne, to fund *just* the unfunded pension liabilities will require dedicated property taxes of at least 25 mills.

This report has outlined three major approaches that the local governments can use to avoid the forecasted deficits. The first approach involves actions that individual local governments can take on their own, while the second approach requires cooperation from other municipalities. The third approach is consolidation of governments. Two major types of consolidation were considered, a total consolidation of the nine communities studied and various subsets of this group.

Each of the governments would be able to decrease, and in most cases, avoid, the forecasted deficits by making policy decision that would increase revenues and/or decrease expenditures. The policy changes are generally quite drastic. For example, in each municipality facing operating deficits, it would have to eliminate its paid fire department and depend on volunteer fire services in order to provide minimal police and general government services.

For Clairton and Duquesne, the revenue options would require changing to a different form of government (either home rule or borough). Under either form of government, they would then be legally able to raise their property tax rates to finance their minimum service needs, and fund their long-term liabilities (e.g. indebtedness and pension liabilities.) Several of the other governments would need to consider increasing property taxes and/or initiating a garbage fee to increase revenues. Major reductions in services and employment levels would also be necessary in certain communities.

Failure to cut spending and increase taxes by 1989 will result in an inability to meet payrolls, meet debt and pension requirements, and meet the other costs that are necessary in order to keep the government in operation. In some cases, the situation is forecasted to be so critical that the very existence of the local government will be threatened. Clearly, residents want and deserve a reasonable level of public services; however, these needs have to be tempered by the financial constraints of the government. Although the necessary policy changes are difficult and painful, action must be taken soon before the situation further deteriorates.

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[67] It should not be inferred that the communities studied have not taken steps in the last several years to match spending with their declining revenue bases. What is being suggested is that further cuts in spending and tax rate increases will be necessary in order to avoid operating deficits by 1989.

The temptation exists to count on future economic development to increase the resources in the Steel Valley or to wait for the State to take action to help the Steel Valley governments. Economic development is a long and slow process, and the positive effects will not be felt on the tax base for a considerable period of time. On the other hand, should the municipalities which were studied fail to act, the prospect of a collapse of municipal services can readily have a negative effect on potential economic development. Thus, it is critical for the local governments to take action that will insure the continued provision of governmental services.

7.2 Is There a Role for the State?

Throughout the analysis of the fiscal condition of the municipalities in the Steel Valley COG, the assumption has been made that Federal aid will not be forthcoming, and State aid will be constant for the next several years. To date, the State has not committed funds for the purpose of helping local governments in the Steel Valley, and is not expected to take this action in the near future.

However, the State may be willing to give incentives to local governments that take action to address their own problems. For example the proposed municipal fiscal distress legislation includes provisions for giving priority for state economic development funding to distressed communities that have *consolidated* governments (see Appendix III); however, no formula is provided in the pending legislation to indicate how much funding will be available to encourage such consolidation.

The analysis in this study indicates means for avoiding operating deficits, but in some cases the governments would still have difficulty meeting obligations, such as pension liabilities, that were incurred in prior years. Of the types of assistance that the State can provide, perhaps providing direct fiscal assistance to relieve in part the future burden of funding the unfunded pension liabilities which these jurisdictions face could be the most useful. Such assistance may make more financial sense than simply providing operating funds However, it is unlikely and unreasonable for the State to take on such burdens which reflect previous fiscal decisions, which were not well thought out, without strong assurances that future pension policy will be responsible. Act 205 has strong elements of such a relationship generally between the State and municipalities with severe pension problems. The authors see merit in further assistance to distressed municipalities which focus on the pension problem.

7.3 FUTURE ACTION

It is beyond the scope of this study to attempt to calculate the political viability of the three types of options that have been analyzed. Certainly, the reduction in services, and increase in tax rates will not be popular. It is clear that consolidation into groupings of the municipalities, or complete consolidation can have the most dramatic effect on the overall cost structure of government services in the area; however, such consolidations are also the most controversial politically, and complicated legally. Nonetheless, this study demonstrates that such consolidation strategies no longer deserve to be viewed as impractical and theoretical. The forecasts for the balance of this decade of operating deficits in each of the municipalities indicates that fiscal survival will become increasingly difficult in the years ahead, and consideration of consolidation strategies must be viewed as a realistic alternative to bankruptcy.

When the options of partial and complete consolidation are stated in terms of changes in taxes for the representative homeowner, the largest change in taxes was over $100/year, while the smallest change was $3/year. In several instances the quality of services would improve as full-time police would replace part-time police services. Generally, consolidation of the nine municipalities into one municipality would even out tax burdens among them. Whether or not such such changes in taxes, accompanied by assured viability of the new structure, will be acceptable remains the outstanding issue for residents of the Steel Valley COG communities in the years to come.

[From the Wall Street Journal, May 14, 1987]

White House Says Budget Gap Exceeds Target

(By Paul Biustein)

Washington.—President Reagan's budget for fiscal 1988 won't satisfy the requirements of the Gramm-Rudman law, according to an internal analysis prepared by the White House budget office.

The analysis says that the projected federal deficit for fiscal 1988 has expanded in recent months by about $27 billion because of changes in economic conditions and new estimates of federal outlays. That means that Mr. Reagan's proposed budget for the fiscal year starting Oct. 1 would produce a $135 billion deficit instead of the $108 billion deficit target set by Gramm-Rudman.

The analysis means that the White House may have to propose budget savings that go beyond the domestic spending cuts and revenue-raising measures it submitted to Congress in January.

Disclosure of the analysis also will embarrass the administration. President Reagan has been criticizing Democratic lawmakers for drafting budgets that fail to adhere to Gramm-Rudman, and Democrats have fired back by contending that the president's own budget—which purports to hit the law's deficit target on the nose—actually misses it by billions of dollars.

The new White House budget office projections though preliminary, bolster the Democrat's claims. In fact, the White House deficit projection nearly matches a Congressional Budget Office estimate that the president's budget would produce a fiscal 1988 deficit of $134.4 billion.

The Democrats, meanwhile, were having some embarrassment of their own. Chairman Dan Rostenkowski (D., Ill.) of the House Ways and Means Committee wrote to the House Budget Committee to complain about the difficulties in raising taxes. In a letter to Budget Committee Chairman William Gray (D., Pa.), Rep. Rostenkowski said he would have trouble finding the $30 billion of new taxes that the Senate-passed resolution called for in each of the fiscal years 1988 and 1989.

He also stated his panel would be loath to make larger cuts in Medicare than contemplated by the House-passed resolution and would have difficulty producing a bill that would raise the taxes and make the spending cuts as quickly as the Senate resolution specified. Rep. Rostenkowski's letter was intended to influence the House-Senate conference that is trying to reconcile differences between the two chambers' budget plans.

Under Gram-Rudman, the adminstration must propose additional savings to meet the law's deficit target if its official budget update, which is scheduled for release in late July or early August, shows the need for such measures. The White House would find it painful politically to come up with more budget cuts on top of the unpopular measures it submitted in January. "It'll be a problem," one White House official admitted.

But the administration's budget update is likely to paint a less gloomy picture than the internal budget office analysis did, White Hose sources said. Among other things, the analysis doesn't take account of an unexpected surge in federal revenues last month—a development that has led some forecasters to shrink their deficit projections for the current fiscal year and suggests that the new tax law might generate more revenue than previously expected.

Still, the deficit picture clearly has worsened since January. According to the budget office analysis, the fiscal year 1988 deficit is about $16 billion wider than projected because gross national product—the nation's total output of goods and services, unadjusted for inflation—turned out to be lower than the adminstration had expected for the fourth quarter of 1986 and the first quarter of 1987. The projected deficit grew about $11 billion more because of new estimates of federal outlays, some involving "technical reestimates," some reflecting congressional action such as passage of a major highway bill.

The analysis was prepared by the bureau headed by M. Kathryn Eickhoff, who is leaving her post Monday as the budget office's associate director for economics and planning. Asked about the analysis, Ms. Eickhoff confirmed it.

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NEWS
NATIONAL ASSOCIATION of COUNTIES

FOR IMMEDIATE RELEASE:
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County officials urge targeted fiscal assistance for distressed communities

Word of fiscal crisis confronting county government was brought to Capitol Hill today in testimony by officials from Trumbull County, Ohio and Los Angeles County, California, both of which have been devastated by the elimination of General Revenue Sharing.

Commissioner Christopher Lardis of Trumbull County explained to the Governmental Affairs Subcommittee that his county and others are facing severe economic problems with no real solutions. His testimony was echoed by Richard B. Dixon, Chief Administrative Officer of Los Angeles County, who cited the many unique problems his county has to deal with. Both urged Congress to approve a federal program of targeted assistance to distressed communities.

The hearings were initiated by Senator Jim Sasser (D-TN), Chairman of the Governmental Affairs Subcommittee on Government Efficiency, Federalism and the District of Columbia. This initial hearing assessed the fiscal impact of revenue sharing's demise. Other hearings will focus on proposed legislation to remedy the situation.

Lardis began his testimony with examples of other counties in a state of fiscal crisis as a result of revenue sharing ending and sagging local economies:

- o Washington County, LA, eliminated its elderly meals program;
- o Barry County, MO, closed its health department and cut its sheriffs budget in half;
- o Chippewa County, MI, dropped its crippled children's program as well as its home health care services;

(more)

- o Cuyahoga County, OH, reduced its subsidy to the county hospital by $5 million.

The counties' problems are compounded because they are forced to rely on the most regressive form of financing -- the local property tax, he said. In some areas property values are in decline and other counties have reached limits on property tax rates.

"In your own State of Tennessee, Mr. Chairman, Shelby County's indigent health care burden alone has reached over $40 million a year," Lardis said. "This growing responsibility is financed totally by the county property tax. I ask you, how long can this go on?"

Lardis, who is President of the Board of Commissioners, said revenue sharing lost by Trumbull County in 1986 amounted to $889,446 or 7% of the total budget. The county faces an emergency fiscal condition, he said, because of a $3.1 million shortfall in the 1987 budget.

This shortage has meant:

- o A reduction in staffing from 431 to 241 employees;
- o No police protection for 39,000 citizens in unincorporated areas;
- o The Elderly Affairs Program and Child Assault Protection Unit will both close;
- o County buildings are deteriorating since little or no maintenance has been done in years.

Lardis said the county has attempted to solve the problem. Officials have approved borrowing $284,514 from the insurance fund and putting on the auction block both the nursing home and an historical building. An half penny emergency sales tax has been rejected twice by the voters.

Lardis pointed out that the plunge in energy prices, even if the price of oil improves, has caused severe long-term problems for localities in states such as Texas, Oklahoma, Louisiana, North Dakota, and Montana. Counties in these states are struggling to maintain public services in the face of plummeting state and local revenues. For communities in the 23 states that were forced to cut their spending below budgeted levels last year, revenue sharing had provided a firm cushion against cyclical declines in the economy.

(more)

Even with these budget cuts, Lardis said, 28 states have raised or are raising taxes significantly, but distressed counties will not benefit. Expenditure growth for states in FY 1988 is the smallest since the recession. Governors have proposed to increase spending by 3.9% -- but when inflation is taken into account -- there is not real growth in next year's budget. The Trumbull Commissioner said it is clear that strapped communities must look to the federal government for assistance.

He concluded that a program of federal targeted assistance would go a long way toward alleviating most local pressing problems. "Today, we are asking the federal government not to abandon America's communities, but to work with us to develop a system to help distressed local governments survive."

Dixon told the Subcommittee that counties in California are a multiservice form of government responsible for providing health, welfare, justice, and other key regional services to all residents of the county. Some of the programs that the county operates are: seven hospitals, 45 health centers, the largest local jail facilities in the country with 23,000 inmates, 24 municipal courts, 21 superior courts, 100 parks, and 10 beaches.

In Los Angeles County, Dixon said, the economy is good, but the county is unable to benefit from that prosperity. It if forced to rely on the property tax as its principal source of revenue and is further handcuffed because that tax is limited by state constitution in both its base and growth.

The loss of $80 million in revenue sharing funds combined with all the state mandated health and human service programs has resulted in a projected $170 million deficit for the 1987-88 budget.

"We were able to erase some of the potential deficit through productivity savings, contracting our services, fee increases, and other initiatives, but it was still necessary to cut programs by $73.7 million to live within our resources," Dixon said.

The proposed cuts include:

- Closing seven public health centers;
- Eliminating ambulatory care clinic programs in eight health centers;
- Eliminating seven heroin detoxification locations;
- Reducing hospital outpatient and inpatient services in five hospitals; and
- Cutting 1,000 positions in the welfare department.

(more)

Dixon said he endorses a targeted revenue sharing program for communities with the greatest needs. He added that any such targeting formula needs to take into account the varying responsibilities and revenue sources available to local jurisdictions, especially those whose responsibilities include health and human services to indigents across municipal boundaries.

-30-

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The Impact of Loss of General Revenue Sharing on County Government - A Sample

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NACo, SURVEY ON IMPACT OF LOSS OF GRS.

INTRODUCTION

In September, 1986, the U.S. Treasury made the final payment of the just terminated General Revenue Sharing program. As a result, during the current, 1986-87 fiscal year, county and other local governments have had to adjust to the reality of the loss of these discretionary federal funds, on which many of them had come to depend.

In late February, early March 1987, the National Association of Counties conducted a three week telephone survey to assess the real impact of this loss in the 262 selected counties in this brief, preliminary study.

From 1972 to 1986, General Revenue Sharing acted as a unique link in the federal-state-local partnership, supplying funds raised at the federal level, to be used without constraints at the local level. The premise was that local governments were thus given access to money raised through the more efficient federal tax base to be spent on needs deemed important by the communities themselves. Throughout its history, revenue sharing was responsible for a wide range of programs and services, from capital improvements to critical social services. It often supported such basic services as roads and sanitation in counties who did not have the financial resources to fund them on their own.

The 99th Congress decided to sacrifice the revenue sharing program in its campaign to reduce the federal deficit, depriving some 74,000 local governments of 4 billion dollars in needed revenues.

The current survey does not purport to be a representative sampling. Rather, it aims to assess the actual impact the loss of GRS has made on those counties which previous research led us to expect would feel the loss most immediately.

Previous studies have led to the conclusion that those counties already in sound fiscal condition generally would be able, at least initially, to absorb the loss of these funds without undue hardship. In less economically prosperous areas, however it was anticipated that the elimination of GRS would have a disproportionate effect, resulting almost inevitably in a decrease in the quality of life and level of community services in those areas.

The fact that overall federal aid to state and local governments has declined by 38.7% in constant dollars since 1980 seemed to indicate a need for an examination of the real impact the loss of revenue sharing has had on those counties most at risk.

In general, the survey focuses on non-urban counties that conform to certain, predetermined criteria.

Non-urban counties are defined as counties that contain no legally constituted population center of more than 50,000. A definition which encompasses some seventy five percent of the nation's counties. Exceptions in the sample, include the four large California counties, and one Ohio county. They are included because of particular interests in their status as participants in a suit against Treasury Secretary Baker, over sequestered revenue sharing funds.

Two other general considerations were applied in selecting sample counties for the survey. The first was that the general revenue sharing allocation for that county represented more than 10 percent of the authority's tax base. The second was to apply a demographic, economic and geographical profile to determine those with a preexisting need for these funds.

NACO Survey on Impact of Loss of GRS

CONCLUSION

While this sample was never intended to be representative of county governments nationwide, it was structured to identify counties with a real need for this vital federal program.

Conclusions drawn under previous research, was that the elimination of GRS would result inevitably in a shift of the tax burden, from the federal to the local levels. This appeared to be another step in a continuous policy of shifting governmental responsibilities to the local levels. In fact, it seems evident from the results of the current survey that along with trickle-down economy, comes trickle-down taxation.

Not only does the survey bear out those conclusions, but it clearly shows two important trends.

The first is that, with the continued shift in the federal government's responsibilities to state and local governments, the localities are left with just three alternatives -- raise taxes, cut local services or both.

These findings clearly lead to the conclusion that in many cases counties simply do not have the ability to continue to provide basic services and fulfill all the responsibilities being foisted on them by the federal government.

Secondly, the shift in taxation from the federal to the local level too often means a shift from a relatively progressive to a regressive tax base. This implicitly means that the community will be forced to rely increasingly on those less able to pay for the cost of local government, while coping with a decline in federal revenues.

Since economically disadvantaged communities are populated by less affluent taxpayers, loss of GRS greatly accelerates the growth of the gap between the poor and rich. It widens the gap between the prosperous and less prosperous sections of the country. Under trickle-down taxation, and without GRS, rich counties prosper and poor counties get poorer, taking a giant step on the path to a future of two Americas.

The sample breaks down into five distinct groups. The smallest comprises those counties with the ability to absorb the loss of revenue sharing funds with relatively little impact on their economies. They were able to maintain services without raising taxes. This group accounts for a mere 10 percent of those surveyed.

By far the largest group, is comprised of 168 counties who found themselves with no choice but to cut, reduce or eliminate important programs and services. Representing sixty-four percent of the total these counties, all too clearly corroborate the direst predictions of the consequences of severing this essential link in the intergovernmental partneship.

While just 31 have actually raised taxes to compensate for the loss of revenue sharing funds, 16 more counties indicated that they would be making tax increases in their upcoming budget.

Twenty-eight percent of the counties surveyed report they have had to resort to a dual response, confronting their citizens with both an increase in local taxes and a decrease in available services. Taxpayers in these seventy-four counties, therefore, are already in the unenviable position of paying more for significantly less.

Further, combining the figures for the counties who've compensated for the loss by decreasing services with those who either already have or plan to raise taxes, it is evident that the removal of revenues sharing funds has had a major detrimental effect on the fiscal health of the budgets of a total of an attention-demanding eighty-two percent.

The fifth group includes those who acted on the presumption revenue sharing would be eliminated and rebudgeted on that basis. This may or may not mean that services and programs were reduced or cut in advance of the actual termination of GRS.

Overall, most of these counties were, in fact, experiencing a period of relative growth, with over fifty percent, a total of 139 counties, reporting revenue increases, primarily due to increases in property values nationwide. An encouraging forty-five percent of the surveyed counties were able to report increases in local property values.

Over the same two year period, only forty-seven percent increased their tax rates.

Further examination, shows even this growth in the revenue pattern could not offset the overall loss in federal and state revenues during the period. Taking into consideration the fact that federal aid to local governments nationwide has decreased by

37.8%, and that 22 states have cut their current budgets (see table) the picture becomes decidedly less rosy. 76% of our sample reported either no increase or an actual decline in state aid over the past two years and did not expect to receive any future increase in state assistance.

In other words, even with a generally healthy local economy, the loss of GRS, has had a serious negative impact on the quality of life in a great majority of the sample counties.

In view of this, it is interesting to note that among those reporting the most drastic repercussions was Spenser Co., Oklahoma. Duncan, the county seat, has previously made a name for itself by distributing the bumpersticker "Will the last person to leave Duncan please turn out the lights", as a wry commentary on the already grim economic plight of the county. Faced with post GRS reality, as demonstrated in this survey, many counties across America may soon have to be adopting that slogan.

National Association of Counties
Total Sample Statistics
GRS Impact Survey

Sample Total 262 Counties=100%

Question #1 Tax revenues have increased in 139 counties or 53%, in the past two years.

Tax revenues have decreased in 45 counties or 17%, in the past two years.

Tax revenues have remained the same in 77 counties or 29%, in the past two years.

1% of the sample not sure.

Question #2 Tax rates have increased in 123 counties or 47% during this period.

There has been no tax rate increase in 135 counties or 52%.

2% of sample not sure.

Question #3 In those counties which increased tax rates the increases where made in the following:

(Property tax - 63 Counties)
(Sales tax 15 Counties)
(Other 32 Counties)
(No response 13 Counties)

Question #4 Users fees as a source of county revenue were increased in 81 counties or 31% of the total sample.

Question #5 Property tax assessments increased in 117 counties, 45% of sample.

Property assessments decreased in 59 counties or 23%.

Property assessments remained the same in 79 counties, 30%.

2% not sure.

Question #6 Thirty eight percent of the sample, 99 counties reported an increase in property tax delinquencies during the last fiscal year.

Question #7 Of the counties called 175 (67%) indicated that they were under constraints that prevent or limit increasing revenues.

Question #8 Seventy one counties (27%) indicated that they were already at their taxing limits.

Question #9 Our sample shows that 47.3% or 124 counties reported a decrease in state aid during the past two years.

Twenty nine percent said aid had remained the same.

And only 15.6% indicated an increase in state assistance.

8% not sure.

Question #10 Seventy four percent of the sample did not forsee any immediate plans by their states which would allow them to increase their taxing authority.

Question #11 One hundred and sixty eight counties found it necessary to cut, reduce, or eliminate services or programs due to the loss of GRS. This represents some 64% of all those contacted.

Question #12 The remaining counties in our survey took the following actions to compensate for the loss of their General Revenue Sharing Funds.

31	Counties Increase Taxes	12% of sample
28	Counties Have Revenue Surplus	10% of sample
19	Counties Rebudgeted	7% of sample
16	Counties offset loss in current budget, but must cut or raise taxes in next years budget	6% of sample

NACo GRS Impact Survey\ State Revenue Snapshot	1987 State Budget Cut	Response To/ Affected By Windfall Tax
Alabama	2-5%	Negligible effect on state budget
Alaska	Over 5%	No effect on state budget
Arizona	Over 5%	Return to taxpayers
Arkansas	2-5%	Negligible effect on state budget
California	Under 2%	Return to taxpayers
Colorado	2-5%	State will keep portion of revenue
Connecticut	--	Return to taxpayers
Delaware	--	State will keep portion of revenue
Florida	--	No effect on state budget
Georgia	--	Return to taxpayers
Hawaii	--	Return to taxpayers
Idaho	--	State will keep windfall
Illinois	--	State will keep windfall
Indiana	2-5%	State will keep windfall
Iowa	--	State will keep portion of revenue
Kansas	2-5%	Return to taxpayers
Kentucky	Under 2%	State will keep windfall

Underlined States=NACo Survey States

Louisiana	Over 5%	State will keep windfall
Maine	--	Return to taxpayer
Maryland	--	State will keep portion of revenue
Massachusetts	--	Negligible effect on state budget
Michigan	--	Return to taxpayer
Minnesota	2-5%	Return to taxpayer
Mississippi	--	Negligible effect on state budget
Missouri	--	State will keep portion of revenue
Montana	2-5%	State will keep portion of revenue
Nebraska	Under 2%	State will lose revenue
Nevada	--	No effect on state budget
New Hampshire	--	No effect on state budget
New Jersey	--	No effect on state budget
New Mexico	2-5%	State will keep windfall
New York	--	Return to taxpayers
North Carolina	--	Negligible effect on state budget
North Dakota	Over 5%	State will lose revenue

Ohio	--	Return to taxpayer
Oklahoma	--	State will keep windfall
Oregon	--	Return to taxpayer
Pennsylvania	--	No effect on state budget
Rhode Island	--	Negligible effect on state budget
South Carolina	2-5%	State will lose revenue
South Dakota	Under 2%	No effect on state budget
Tennessee	--	No effect on state budget
Texas	Over 5%	No effect on state budget
Utah	--	State will keep windfall
Vermont	--	State will lose revenue
Virginia	--	Return to taxpayer
Washington	--	No effect on state budget
West Virginia	--	State will keep portion of revenue
Wisconsin	2-5%	Return to taxpayers
Wyoming	Over 5%	No effect on state budget

NACO PHONE SURVEY SAMPLE
IMPACT SNAPSHOT

COUNTY	GRS AMOUNT	IMPACT
ALABAMA		
Barbour	$ 151,046	Cuts
Blount	246,058	Cuts
Bullock	154,345	Cuts
Clarke	86,870	Cuts
DeKalb	253,685	Pending Cuts
Macon	262,071	Reduction
Marengo	181,208	Cuts
Marion	190,660	Cuts
Monroe	88,273	Tax Increase
Pickens	197,134	Rebudget
Pike	228,357	Cuts
Randolph	112,921	Cuts
Russell	114,173	Tax Increase
Winston	105,908	Cuts
ARKANSAS		
Ashley	189,996	Cuts
Crawford	172,766	Cuts
Crittenden	392,371	Cuts
Cross	198,005	Tax Increase
Hempstead	158,163	Cuts
Hot Springs	268,881	Cuts
Independence	533,836	Cuts
Jackson	166,509	Surplus
Logan	206,111	Surplus
Mississippi	412,720	Tax Increase
Poinsett	199,466	Cuts
St. Francis	236,613	Cuts
White	370,902	Cuts
CALIFORNIA		
Riverside	7,208,384	Cuts
San Bernadino	9,897,140	Tax Increase
San Diego	11,175,769	Cuts
Ventura	506,372	Cuts
FLORIDA		
Baker	121,034	Cuts
Bradford	190,747	Tax Increase
Gadsden	426,659	Cuts
Hardee	327,138	Surplus
Jackson	310,759	Rebudgeted
Levy	244,240	Tax Increase
Madison	195,287	Pending Cuts
Sumter	211,282	Cuts
Swanee	272,407	Surplus
Union	113,954	Tax Increase
Wakulla	122,280	Tax Increase
Washington	186,162	Cuts

IDAHO

Bingham	625,344	Cuts
Bonner	343,467	Cuts
Canyon	705,934	Cuts
Cassia	165,408	Cuts
Elmore	129,945	Rebudget
Minidoka	207,112	Surplus

INDIANA

Henry	278,129	Tax Increase
Knox	292,653	Rebudget
Miami	241,678	Cuts
Shelby	134,295	Cuts

KENTUCKY

Bell	302,354	Surplus
Carter	170,775	Tax Increase
Christian	316,088	Tax increase
Clay	251,845	Surplus
Floyd	347,700	Cuts
Hardin	474,392	Cuts
Harlan	392,529	Rebudget
Knox	270,217	Cuts
Laurel	308,377	Cuts
Madison	321,086	Rebudget
Perry	259,587	Surplus
Pike	846,108	Cuts
Whitley	230,843	Cuts

LOUISIANA

Allen	154,614	Cuts
Assumption	331,894	Cuts
Avoyelles	126,979	Cuts
Concordia	162,163	Cuts
E. Baton Rouge	415,517	Cuts
East Feliciana	117,461	Cuts
Evangeline	163,962	Cuts
Jefferson	6,523,615	Cuts
Morehouse	238,412	Cuts
Natchitoches	322,745	Tax Increase
Orleans	13,571,434	Cuts
Point Coupee	427,050	Pending Cuts
Richland	183,736	Cuts
Sabine	124,441	Cuts
St. Landry	645,549	Cuts
St. Martin	358,146	Cuts
Tangipahoa	455,623	Cuts
Union	125,357	Cuts
Vernon	255,987	Cuts
Washington	170,784	Cuts

MAINE		
Oxford	99,447	Cuts
Somerset	128,401	Tax Increase
Washington	147,184	Reduction
MICHIGAN		
Chippewa	337,612	Cuts
Clare	433,315	Cuts
Delta	323,878	Cuts
Gladwin	308,494	Rebudget
Houghton	411,919	Tax Increase
Isabella	505,667	Cuts
Marquette	848,516	Rebudget
Mecosta	397,327	Cuts
Menominee	313,734	Surplus
Newaygo	401,195	Cuts
Oceana	341,409	Rebudget
Osceala	271,541	Surplus
Sanilac	572,925	Cuts
Wexford	385,165	Cuts
MINNESOTA		
Becker	427,051	Tax Increase
Beltrami	452,744	Cuts
Benton	296,251	Tax Increase
Carlton	524,859	Cuts
Crow Wing	595,204	Tax Increase
Douglas	431,918	Tax Increase
Fillmore	260,060	Tax Increase
Morrison	541,131	Rebudget
Pine	452,831	Cuts
Todd	363,358	Cuts
MISSISSIPPI		
Bolivar	907,195	Cuts
Calhoun	225,756	Tax Increase
Coahoma	579,249	Cuts
Copiah	422,474	Cuts
Forrest	853,586	Cuts
Harrison	2,855,827	Cuts
Holmes	486,814	Cuts
Jones	784,525	Cuts
LeFlore	780,340	Cuts
Marshall	420,140	Cuts
Monroe	447,384	Cuts
Oktibbeaha	387,229	Surplus
Panola	524,492	Cuts
Washington	1,098,661	Tax Increase

MISSOURI		
Barry	71,914	Cuts
Dunklin	115,935	Cuts
Howell	91,173	Cuts
Laclede	86,528	Cuts
New Madrid	254,165	Cuts
Pemiscot	209,448	Cuts
Polk	78,487	Cuts
Pulaski	85,883	Rebudget
Stoddard	61,802	Cuts
Texas	69,369	Reduction
MONTANA		
Custer	133,390	Cuts
Dawson	203,586	Cuts
Flathead	796,628	Reduction
Gallatin	483,050	Cuts
Silver Bow	0	Cuts
NEBRASKA		
Cass	172,050	Cuts
Cedar	189,796	Cuts
Cuming	132,180	Cuts
Custer	168,047	Cuts
Dakota	22,994	Tax Increase
Dawson	258,363	Cuts
Dodge	200,217	Cuts
Hall	329,730	Pending Cuts
Holt	212,004	Pending Cuts
Knox	142,738	Cuts
NEW MEXICO		
Cibola	234,820	Cuts
Dona Ana	907,780	Tax Increase
Grant	484,271	Surplus
Rio Arriba	621,591	Cuts
San Miguel	304,097	Cuts
NORTH CAROLINA		
Ashe	391,659	Tax Increase
Bertie	350,983	Cuts
Bladen	534,756	Cuts
Cherokee	288,530	Cuts
Columbus	730,314	Cuts
Duplin	650,543	Cuts
Hoke	379,545	Cuts
Jackson	523,275	Cuts
Northampton	402,808	Pending Cuts
Robeson	1,435,038	Cuts
NORTH DAKOTA		
Benson	87,028	Surplus
Grand Forks	384,192	Surplus
Morton	342,342	Reduction
Stark	242,658	Cuts

OHIO

Adams	304,961	Cuts
Athens	527,345	Surplus
Cuyahoga	8,322,875	Cuts
Holms	330,249	Surplus
Meigs	193,552	Cuts
Pike	240,206	Cuts
Trumbull	781,987	Cuts

OKLAHOMA

Delaware	123,584	Cuts
LeFlore	132,488	Pending Cuts
Mayes	100,850	Cuts
McCurtain	227,883	Cuts
Okmulgee	110,616	Cuts
Stephens	524,849	Cuts

OREGON

Coos	307,271	Cuts
Douglas	301,124	Surplus
Josephine	151,754	Rebudget
Klamath	438,141	Cuts
Linn	509,926	Cuts
Malheur	252,932	Tax Increase
Umatilla	441,090	Cuts

SOUTH CAROLINA

Aiken	750,594	Tax Increase
Anderson	999,078	Tax Increase
Berkeley	875,773	Pending Cuts
Chester	357,137	Tax Increase
Chesterfield	299,479	Cuts
Clarendon	480,441	Surplus
Colleton	327,655	Tax Increase
Darlington	566,694	Cuts
Florence	94,558	Tax Increase
Marion	352,255	Cuts
Marlboro	288,971	Rebudget
Orangeburg	1,143,353	Cuts
Spartanburg	2,152,710	Cuts
Sumter	1,038,398	Tax Increase
Union	277,727	Cuts
Williamsburg	545,990	Cuts

TENNESSEE		
Campbell	220,715	Cuts
Carter	290,961	Cuts
Claiborne	196,801	Cuts
Cocke	318,583	Cuts
Cumberland	224,775	Rebudget
Fayette	362,020	Cuts
Gibson	246,244	Surplus
Greene	330,795	Cuts
Hamblen	237,628	Cuts
Hardeman	160,725	Surplus
Hardin	202,006	Tax Increase
Hawkins	338,447	Cuts
Haywood	239,681	Surplus
Henderson	101,841	Rebudget
Jefferson	245,850	Tax Increase
Lauderdale	263,230	Cuts
McNairy	142,497	Cuts
Scott	130,870	Cuts
Shelby	7,009,764	Surplus
TEXAS		
Cameron	923,263	Tax Increase
Deaf Smith	223,543	Pending Cuts
Dimmitt	146,334	Cuts
Hidalgo	2,307,104	Cuts
Houston	153,873	Surplus
Lamb	157,487	Pending Cuts
Uvalde	153,909	Tax Increase
Val Verde	287,892	Surplus
Webb	990,313	Cuts
VIRGINIA		
Russell	444,139	Pending Cuts
Wythe	146,554	Cuts
WASHINGTON		
Cowlitz	1,012,868	Cuts
Grays Harbor	606,581	Cuts
Kittitas	259,453	Cuts
Lewis	709,200	Cuts
Stevens	419,887	Cuts
WEST VIRGINIA		
Fayette	953,450	Cuts
Kanawha	2,510,265	Cuts
Logan	554,471	Cuts
Marion	608,872	Cuts
Mercer	519,159	Cuts
Mingo	464,084	Cuts
Monongolia	498,370	Cuts
Nicholas	431,640	Surplus
Ohio	346,219	Surplus
Preston	344,701	Cuts
Upshur	360,395	Cuts
Wayne	450,463	Pending cuts

WYOMING		
Albany	217,461	Pending Cuts
Fremont	795,702	Surplus
Laramie	912,471	Cuts
Park	735,365	Pending Cuts
Sheridan	370,762	Cuts
Uinta	709,141	Cuts

STATEWIDE SAMPLE NACO IMPACT SURVEY

ALABAMA

Counties in Sample 14
% of State Total 20.8

1. Counties which have (Increased Tax Revenues) 3
(Decreased Tax Revenues) 1
(Tax Revenues remain the same) 10

2. Counties which have (Increased Tax Rates) 2

3. Counties have increased Tax Rates in (Property Tax) ____
(Sales Tax) 1
(Others) 1

4. Counties where property assessment has (Increased) 7
(Decreased) ____

5. Counties where property tax delinquencies have increased 3

6. County Governments that are under constraints that prevent or limit increasing revenues. 10

7. Counties that have reached the limit of their taxing capacity 7

8. State Financial Aid to County Government (Increased) 1
(Decreased) 5
(Remained the Same) 6

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 10

10. Counties that have increased tax or other revenues which offset loss of GRS. 2

11. Counties that have rebudgeted to accommodate loss of GRS. 1

12. Counties that have revenue surplus to cover loss ____

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 1

STATEWIDE SAMPLE NACO IMPACT SURVEY

ARKANSAS
Counties in Sample 13
% of State Total 17.3

1. Counties which have (Increased Tax Revenues) 6
(Decreased Tax Revenues) ______
(Tax Revenues remain the same) ______

2. Counties which have (Increased Tax Rates) 3

3. Counties have increased Tax Rates in (Property Tax) ______
(Sales Tax) 1
(Others) 2

4. Counties where property assessment has (Increased) 4
(Decreased) 2

5. Counties where property tax delinquencies have increased 9

6. County Governments that are under constraints that prevent or limit increasing revenues. 8

7. Counties that have reached the limit of their taxing capacity 2

8. State Financial Aid to County Government (Increased) 4
(Decreased) 5
(Remained the Same) 3

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 9

10. Counties that have increased tax or other revenues which offset loss of GRS. 2

11. Counties that have rebudgeted to accommodate loss of GRS. ______

12. Counties that have revenue surplus to cover loss 2

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 2

STATEWIDE SAMPLE NACO IMPACT SURVEY

CALIFORNIA
Counties in Sample 4
% of State Total 6.8

1. Counties which have (Increased Tax Revenues) 4
   (Decreased Tax Revenues)
   (Tax Revenues remain the same)

2. Counties which have (Increased Tax Rates) 4

3. Counties have increased Tax Rates in (Property Tax)
   (Sales Tax)
   (Others)

4. Counties where property assessment has (Increased) 4
   (Decreased)

5. Counties where property tax delinquencies have increased 1

6. County Governments that are under constraints that prevent or limit increasing revenues. 4

7. Counties that have reached the limit of their taxing capacity

8. State Financial Aid to County Government (Increased) 1
   (Decreased) 2
   (Remained the Same)

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 3

10. Counties that have increased tax or other revenues which offset loss of GRS. 1

11. Counties that have rebudgeted to accommodate loss of GRS.

12. Counties that have revenue surplus to cover loss

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS

STATEWIDE SAMPLE NACO IMPACT SURVEY

FLORIDA

Counties in Sample 12
% of State Total 17.9

1. Counties which have (Increased Tax Revenues) 10
(Decreased Tax Revenues) 1
(Tax Revenues remain the same) 1

2. Counties which have (Increased Tax Rates) 5

3. Counties have increased Tax Rates in (Property Tax) 5
(Sales Tax) ______
(Others) ______

4. Counties where property assessment has (Increased) 10
(Decreased) ______

5. Counties where property tax delinquencies have increased 2

6. County Governments that are under constraints that prevent or limit increasing revenues. 8

7. Counties that have reached the limit of their taxing capacity ______

8. State Financial Aid to County Government (Increased) 6
(Decreased) 5
(Remained the Same) 1

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 4

10. Counties that have increased tax or other revenues which offset loss of GRS. 4

11. Counties that have rebudgeted to accommodate loss of GRS. 1

12. Counties that have revenue surplus to cover loss 2

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 1

STATEWIDE SAMPLE NACO IMPACT SURVEY

IDAHO

Counties in Sample 6
% of State Total 13.6

1. Counties which have (Increased Tax Revenues) 3
(Decreased Tax Revenues) 3
(Tax Revenues remain the same) ______

2. Counties which have (Increased Tax Rates) 4

3. Counties have increased Tax Rates in (Property Tax) 2
(Sales Tax) ______
(Others) 2

4. Counties where property assessment has (Increased) 1
(Decreased) 1

5. Counties where property tax delinquencies have increased 4

6. County Governments that are under constraints that prevent or limit increasing revenues. 6

7. Counties that have reached the limit of their taxing capacity 2

8. State Financial Aid to County Government (Increased) 1
(Decreased) 1
(Remained the Same) 4

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 4

10. Counties that have increased tax or other revenues which offset loss of GRS. ______

11. Counties that have rebudgeted to accommodate loss of GRS. ______

12. Counties that have revenue surplus to cover loss 2

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ______

STATEWIDE SAMPLE NACO IMPACT SURVEY

INDIANA

Counties in Sample 4
% of State Total 4.3

1. Counties which have (Increased Tax Revenues) 3
(Decreased Tax Revenues)
(Tax Revenues remain the same) 1

2. Counties which have (Increased Tax Rates) 2

3. Counties have increased Tax Rates in (Property Tax) 1
(Sales Tax) 1
(Others)

4. Counties where property assessment has (Increased) 2
(Decreased) 1

5. Counties where property tax delinquencies have increased 2

6. County Governments that are under constraints that prevent or limit increasing revenues. 3

7. Counties that have reached the limit of their taxing capacity 2

8. State Financial Aid to County Government (Increased)
(Decreased)
(Remained the Same) 4

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 2

10. Counties that have increased tax or other revenues which offset loss of GRS.

11. Counties that have rebudgeted to accommodate loss of GRS. 1

12. Counties that have revenue surplus to cover loss 1

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS

STATEWIDE SAMPLE NACO IMPACT SURVEY

KENTUCKY
Counties in Sample 13
% of State Total 10.8

1. Counties which have (Increased Tax Revenues) 4
(Decreased Tax Revenues) ____
(Tax Revenues remain the same) 9

2. Counties which have (Increased Tax Rates) 3

3. Counties have increased Tax Rates in (Property Tax) 1
(Sales Tax) ____
(Others) 2

4. Counties where property assessment has (Increased) 6
(Decreased) ____

5. Counties where property tax delinquencies have increased 6

6. County Governments that are under constraints that prevent or limit increasing revenues. 8

7. Counties that have reached the limit of their taxing capacity 4

8. State Financial Aid to County Government (Increased) 5
(Decreased) 2
(Remained the Same) 5

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 6

10. Counties that have increased tax or other revenues which offset loss of GRS. 1

11. Counties that have rebudgeted to accommodate loss of GRS. 3

12. Counties that have revenue surplus to cover loss 2

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 1

STATEWIDE SAMPLE NACO IMPACT SURVEY

LOUISIANA

Counties in Sample 20 Parishes
% of State Total 31

1. Counties which have (Increased Tax Revenues) 3
(Decreased Tax Revenues) 13
(Tax Revenues remain the same) 4

2. Counties which have (Increased Tax Rates) 7

3. Counties have increased Tax Rates in (Property Tax) 1
(Sales Tax) 4
(Others) 2

4. Counties where property assessment has (Increased) 5
(Decreased) 6

5. Counties where property tax delinquencies have increased 5

6. County Governments that are under constraints that prevent or limit increasing revenues. 9

7. Counties that have reached the limit of their taxing capacity 6

8. State Financial Aid to County Government (Increased) __________
(Decreased) 9
(Remained the Same) __________

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 18

10. Counties that have increased tax or other revenues which offset loss of GRS. 1

11. Counties that have rebudgeted to accommodate loss of GRS. __________

12. Counties that have revenue surplus to cover loss __________

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 1

STATEWIDE SAMPLE NACO IMPACT SURVEY

MAINE

Counties in Sample 3
% of State Total 1.2

1. Counties which have (Increased Tax Revenues) 3
(Decreased Tax Revenues) ______
(Tax Revenues remain the same) ______

2. Counties which have (Increased Tax Rates) 3

3. Counties have increased Tax Rates in (Property Tax) 3
(Sales Tax) ______
(Others) ______

4. Counties where property assessment has (Increased) 3
(Decreased) ______

5. Counties where property tax delinquencies have increased ______

6. County Governments that are under constraints that prevent or limit increasing revenues. 1

7. Counties that have reached the limit of their taxing capacity ______

8. State Financial Aid to County Government (Increased) ______
(Decreased) 2
(Remained the Same) ______

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 2

10. Counties that have increased tax or other revenues which offset loss of GRS. 1

11. Counties that have rebudgeted to accommodate loss of GRS. ______

12. Counties that have revenue surplus to cover loss ______

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ______

STATEWIDE SAMPLE NACO IMPACT SURVEY

MICHIGAN

Counties in Sample 14
% of State Total 16.8

1. Counties which have (Increased Tax Revenues) 8
(Decreased Tax Revenues) 2
(Tax Revenues remain the same) 4

2. Counties which have (Increased Tax Rates) 4

3. Counties have increased Tax Rates in (Property Tax) 1
(Sales Tax) 1
(Others) 2

4. Counties where property assessment has (Increased) 9
(Decreased) 2

5. Counties where property tax delinquencies have increased 6

6. County Governments that are under constraints that prevent or limit increasing revenues. 11

7. Counties that have reached the limit of their taxing capacity 7

8. State Financial Aid to County Government (Increased) 9
(Decreased) 2
(Remained the Same) 3

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 8

10. Counties that have increased tax or other revenues which offset loss of GRS. 1

11. Counties that have rebudgeted to accommodate loss of GRS. 3

12. Counties that have revenue surplus to cover loss 2

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ____

STATEWIDE SAMPLE NACO IMPACT SURVEY

MINNESOTA
Counties in Sample 10
% of State Total 8.7

1. Counties which have (Increased Tax Revenues) 9
   (Decreased Tax Revenues) ____
   (Tax Revenues remain the same) 1
2. Counties which have (Increased Tax Rates) 8
3. Counties have increased Tax Rates in (Property Tax) 7
   (Sales Tax) 1
   (Others) ____
4. Counties where property assessment has (Increased) 5
   (Decreased) 1
5. Counties where property tax delinquencies have increased 4
6. County Governments that are under constraints that prevent or limit increasing revenues. 8
7. Counties that have reached the limit of their taxing capacity 5
8. State Financial Aid to County Government (Increased) ____
   (Decreased) 6
   (Remained the Same) 3
9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 4
10. Counties that have increased tax or other revenues which offset loss of GRS. 5
11. Counties that have rebudgeted to accommodate loss of GRS. 1
12. Counties that have revenue surplus to cover loss ____
13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ____

STATEWIDE SAMPLE NACO IMPACT SURVEY

MISSISSIPPI

Counties in Sample 14
% of State Total 17

1. Counties which have (Increased Tax Revenues) 12
   (Decreased Tax Revenues) 1
   (Tax Revenues remain the same) 1

2. Counties which have (Increased Tax Rates) 11

3. Counties have increased Tax Rates in (Property Tax) 6
   (Sales Tax) ____
   (Others) 5

4. Counties where property assessment has (Increased) 4
   (Decreased) 4

5. Counties where property tax delinquencies have increased 12

6. County Governments that are under constraints that prevent or limit increasing revenues. 12

7. Counties that have reached the limit of their taxing capacity 7

8. State Financial Aid to County Government (Increased) ____
   (Decreased) 8
   (Remained the Same) 6

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 12

10. Counties that have increased tax or other revenues which offset loss of GRS. 1

11. Counties that have rebudgeted to accommodate loss of GRS. ____

12. Counties that have revenue surplus to cover loss 1

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ____

STATEWIDE SAMPLE NACO IMPACT SURVEY

MISSOURI

Counties in Sample 10
% of State Total 8.6

1. Counties which have (Increased Tax Revenues) 3
(Decreased Tax Revenues) 1
(Tax Revenues remain the same) 6

2. Counties which have (Increased Tax Rates) 2

3. Counties have increased Tax Rates in (Property Tax) 1
(Sales Tax) ______
(Others) 1

4. Counties where property assessment has (Increased) 2
(Decreased) 2

5. Counties where property tax delinquencies have increased 3

6. County Governments that are under constraints that prevent or limit increasing revenues. 8

7. Counties that have reached the limit of their taxing capacity 5

8. State Financial Aid to County Government (Increased) 2
(Decreased) 3
(Remained the Same) 5

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 9

10. Counties that have increased tax or other revenues which offset loss of GRS. ______

11. Counties that have rebudgeted to accommodate loss of GRS. 1

12. Counties that have revenue surplus to cover loss ______

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ______

STATEWIDE SAMPLE NACO IMPACT SURVEY

MONTANA
Counties in Sample 5
% of State Total 8.9

1. Counties which have (Increased Tax Revenues) 3
(Decreased Tax Revenues) 2
(Tax Revenues remain the same)

2. Counties which have (Increased Tax Rates) 4

3. Counties have increased Tax Rates in (Property Tax) 1
(Sales Tax)
(Others) 3

4. Counties where property assessment has (Increased) 2
(Decreased) 2

5. Counties where property tax delinquencies have increased 3

6. County Governments that are under constraints that prevent or limit increasing revenues. 4

7. Counties that have reached the limit of their taxing capacity 2

8. State Financial Aid to County Government (Increased)
(Decreased)
(Remained the Same) 3

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 5

10. Counties that have increased tax or other revenues which offset loss of GRS.

11. Counties that have rebudgeted to accommodate loss of GRS.

12. Counties that have revenue surplus to cover loss

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS

STATEWIDE SAMPLE NACO IMPACT SURVEY

NEBRASKA

Counties in Sample 10
% of State Total 9.3

1. Counties which have (Increased Tax Revenues) 6
(Decreased Tax Revenues) 1
(Tax Revenues remain the same) 3

2. Counties which have (Increased Tax Rates) 9

3. Counties have increased Tax Rates in (Property Tax) 8
(Sales Tax) ____
(Others) 1

4. Counties where property assessment has (Increased) 2
(Decreased) 6

5. Counties where property tax delinquencies have increased 3

6. County Governments that are under constraints that prevent or limit increasing revenues. 9

7. Counties that have reached the limit of their taxing capacity ____

8. State Financial Aid to County Government (Increased) 1
(Decreased) 9
(Remained the Same) ____

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 7

10. Counties that have increased tax or other revenues which offset loss of GRS. 1

11. Counties that have rebudgeted to accommodate loss of GRS. ____

12. Counties that have revenue surplus to cover loss ____

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 1

STATEWIDE SAMPLE NACO IMPACT SURVEY

NEW MEXICO

Counties in Sample 5
% of State Total 15

1. Counties which have (Increased Tax Revenues) 1
(Decreased Tax Revenues) 1
(Tax Revenues remain the same) 3

2. Counties which have (Increased Tax Rates) 2

3. Counties have increased Tax Rates in (Property Tax) 2
(Sales Tax) ____
(Others) ____

4. Counties where property assessment has (Increased) 5
(Decreased) ____

5. Counties where property tax delinquencies have increased 1

6. County Governments that are under constraints that prevent or limit increasing revenues. 2

7. Counties that have reached the limit of their taxing capacity 1

8. State Financial Aid to County Government (Increased) ____
(Decreased) 2
(Remained the Same) 3

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 3

10. Counties that have increased tax or other revenues which offset loss of GRS. 1

11. Counties that have rebudgeted to accommodate loss of GRS. ____

12. Counties that have revenue surplus to cover loss 1

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ____

STATEWIDE SAMPLE NACO IMPACT SURVEY

NORTH DAKOTA

Counties in Sample 6
% of State Total 11.3

1. Counties which have (Increased Tax Revenues) 2
(Decreased Tax Revenues)
(Tax Revenues remain the same) 4

2. Counties which have (Increased Tax Rates) 3

3. Counties have increased Tax Rates in (Property Tax) 3
(Sales Tax)
(Others)

4. Counties where property assessment has (Increased) 2
(Decreased) 2

5. Counties where property tax delinquencies have increased 1

6. County Governments that are under constraints that prevent or limit increasing revenues. 3

7. Counties that have reached the limit of their taxing capacity

8. State Financial Aid to County Government (Increased)
(Decreased) 5
(Remained the Same) 1

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 3

10. Counties that have increased tax or other revenues which offset loss of GRS.

11. Counties that have rebudgeted to accommodate loss of GRS. 1

12. Counties that have revenue surplus to cover loss 2

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS

NORTH CAROLINA

STATEWIDE SAMPLE NACO IMPACT SURVEY

Counties in Sample 10
% of State Total 10

1. Counties which have (Increased Tax Revenues) 5
   (Decreased Tax Revenues) 1
   (Tax Revenues remain the same) 3

2. Counties which have (Increased Tax Rates) 5

3. Counties have increased Tax Rates in (Property Tax) 1
   (Sales Tax) 1
   (Others) 3

4. Counties where property assessment has (Increased) 1
   (Decreased) 1

5. Counties where property tax delinquencies have increased 3

6. County Governments that are under constraints that prevent or limit increasing revenues. 4

7. Counties that have reached the limit of their taxing capacity 0

8. State Financial Aid to County Government (Increased) 3
   (Decreased) 3
   (Remained the Same) 4

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 7

10. Counties that have increased tax or other revenues which offset loss of GRS. 1

11. Counties that have rebudgeted to accommodate loss of GRS. ______

12. Counties that have revenue surplus to cover loss ______

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 1

STATEWIDE SAMPLE NACO IMPACT SURVEY

OHIO
Counties in Sample 7
% of State Total 7.95

1. Counties which have (Increased Tax Revenues) 2
(Decreased Tax Revenues) 3
(Tax Revenues remain the same) 1

2. Counties which have (Increased Tax Rates) 4

3. Counties have increased Tax Rates in (Property Tax) 3
(Sales Tax) ____
(Others) 1

4. Counties where property assessment has (Increased) 5
(Decreased) ____

5. Counties where property tax delinquencies have increased 2

6. County Governments that are under constraints that prevent or limit increasing revenues. 3

7. Counties that have reached the limit of their taxing capacity 2

8. State Financial Aid to County Government (Increased) ____
(Decreased) 3
(Remained the Same) 2

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 5

10. Counties that have increased tax or other revenues which offset loss of GRS. ____

11. Counties that have rebudgeted to accommodate loss of GRS. ____

12. Counties that have revenue surplus to cover loss 2

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ____

STATEWIDE SAMPLE NACO IMPACT SURVEY

OREGON

Counties in Sample 7
% of State Total 19.4

1. Counties which have (Increased Tax Revenues) 5
(Decreased Tax Revenues) ____
(Tax Revenues remain the same) 2

2. Counties which have (Increased Tax Rates) 4

3. Counties have increased Tax Rates in (Property Tax) 3
(Sales Tax) ____
(Others) 1

4. Counties where property assessment has (Increased) ____
(Decreased) 5

5. Counties where property tax delinquencies have increased 3

6. County Governments that are under constraints that prevent or limit increasing revenues. 4

7. Counties that have reached the limit of their taxing capacity 3

8. State Financial Aid to County Government (Increased) 3
(Decreased) 1
(Remained the Same) 2

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 4

10. Counties that have increased tax or other revenues which offset loss of GRS. 1

11. Counties that have rebudgeted to accommodate loss of GRS. 1

12. Counties that have revenue surplus to cover loss 1

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ____

STATEWIDE SAMPLE NACO IMPACT SURVEY

OKLAHOMA

Counties in Sample ______
% of State Total 7.7

1. Counties which have (Increased Tax Revenues) 4
(Decreased Tax Revenues) 1
(Tax Revenues remain the same) 2

2. Counties which have (Increased Tax Rates) 3

3. Counties have increased Tax Rates in (Property Tax) 2
(Sales Tax) ______
(Others) 1

4. Counties where property assessment has (Increased) 3
(Decreased) 2

5. Counties where property tax delinquencies have increased 1

6. County Governments that are under constraints that prevent or limit increasing revenues. 3

7. Counties that have reached the limit of their taxing capacity 3

8. State Financial Aid to County Government (Increased) ______
(Decreased) 3
(Remained the Same) 3

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 3

10. Counties that have increased tax or other revenues which offset loss of GRS. ______

11. Counties that have rebudgeted to accommodate loss of GRS. ______

12. Counties that have revenue surplus to cover loss 2

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ______

STATEWIDE SAMPLE NACO IMPACT SURVEY

SOUTH CAROLINA

Counties in Sample 16
% of State Total 34.7

1. Counties which have (Increased Tax Revenues) 12
(Decreased Tax Revenues) ____
(Tax Revenues remain the same) 4

2. Counties which have (Increased Tax Rates) 8

3. Counties have increased Tax Rates in (Property Tax) 7
(Sales Tax) ____
(Others) 1

4. Counties where property assessment has (Increased) 10
(Decreased) ____

5. Counties where property tax delinquencies have increased 5

6. County Governments that are under constraints that prevent or limit increasing revenues. 1

7. Counties that have reached the limit of their taxing capacity 0

8. State Financial Aid to County Government (Increased) 1
(Decreased) 12
(Remained the Same) 3

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 7

10. Counties that have increased tax or other revenues which offset loss of GRS. 5

11. Counties that have rebudgeted to accommodate loss of GRS. ____

12. Counties that have revenue surplus to cover loss 2

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 2

STATEWIDE SAMPLE NACO IMPACT SURVEY

TENNESSEE

Counties in Sample 19
% of State Total 20

1. Counties which have (Increased Tax Revenues) 15
(Decreased Tax Revenues) ____
(Tax Revenues remain the same) 4

2. Counties which have (Increased Tax Rates) 12

3. Counties have increased Tax Rates in (Property Tax) 6
(Sales Tax) 1
(Others) 5

4. Counties where property assessment has (Increased) 9
(Decreased) ____

5. Counties where property tax delinquencies have increased 6

6. County Governments that are under constraints that prevent or limit increasing revenues. ____

7. Counties that have reached the limit of their taxing capacity 0

8. State Financial Aid to County Government (Increased) 7
(Decreased) 5
(Remained the Same) 6

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 10

10. Counties that have increased tax or other revenues which offset loss of GRS. 2

11. Counties that have rebudgeted to accommodate loss of GRS. 2

12. Counties that have revenue surplus to cover loss 4

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 1

STATEWIDE SAMPLE NACO IMPACT SURVEY

TEXAS

Counties in Sample 9
% of State Total 3.5

1. Counties which have (Increased Tax Revenues) 6
(Decreased Tax Revenues) ____
(Tax Revenues remain the same) 3

2. Counties which have (Increased Tax Rates) 6

3. Counties have increased Tax Rates in (Property Tax) 4
(Sales Tax) ____
(Others) 2

4. Counties where property assessment has (Increased) 3
(Decreased) 3

5. Counties where property tax delinquencies have increased 2

6. County Governments that are under constraints that prevent or limit increasing revenues. 1

7. Counties that have reached the limit of their taxing capacity 1

8. State Financial Aid to County Government (Increased) ____
(Decreased) 3
(Remained the Same) 6

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 3

10. Counties that have increased tax or other revenues which offset loss of GRS. 2

11. Counties that have rebudgeted to accommodate loss of GRS. ____

12. Counties that have revenue surplus to cover loss 2

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 2

STATEWIDE SAMPLE NACO IMPACT SURVEY

VIRGINIA

Counties in Sample ___2___
% of State Total ___1.4___

1. Counties which have (Increased Tax Revenues) ___1___
(Decreased Tax Revenues) ______
(Tax Revenues remain the same) ___1___

2. Counties which have (Increased Tax Rates) ______

3. Counties have increased Tax Rates in (Property Tax) ______
(Sales Tax) ______
(Others) ______

4. Counties where property assessment has (Increased) ___1___
(Decreased) ______

5. Counties where property tax delinquencies have increased ______

6. County Governments that are under constraints that prevent or limit increasing revenues. ___1___

7. Counties that have reached the limit of their taxing capacity ___1___

8. State Financial Aid to County Government (Increased) ___1___
(Decreased) ___1___
(Remained the Same) ______

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. ___1___

10. Counties that have increased tax or other revenues which offset loss of GRS. ______

11. Counties that have rebudgeted to accommodate loss of GRS. ______

12. Counties that have revenue surplus to cover loss ______

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ___1___

STATEWIDE SAMPLE NACO IMPACT SURVEY

WASHINGTON

Counties in Sample 5
% of State Total 12.8

1. Counties which have (Increased Tax Revenues) 1
(Decreased Tax Revenues) 3
(Tax Revenues remain the same) 1

2. Counties which have (Increased Tax Rates) 3

3. Counties have increased Tax Rates in (Property Tax) 3
(Sales Tax) ____
(Others) ____

4. Counties where property assessment has (Increased) 1
(Decreased) 3

5. Counties where property tax delinquencies have increased 2

6. County Governments that are under constraints that prevent or limit increasing revenues. 5

7. Counties that have reached the limit of their taxing capacity 2

8. State Financial Aid to County Government (Increased) ____
(Decreased) 1
(Remained the Same) 3

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 5

10. Counties that have increased tax or other revenues which offset loss of GRS. 1

11. Counties that have rebudgeted to accommodate loss of GRS. ____

12. Counties that have revenue surplus to cover loss ____

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS ____

STATEWIDE SAMPLE NACO IMPACT SURVEY

WEST VIRGINIA

Counties in Sample 12
% of State Total 21

1. Counties which have (Increased Tax Revenues) 5
(Decreased Tax Revenues) 5
(Tax Revenues remain the same) 2

2. Counties which have (Increased Tax Rates) 3

3. Counties have increased Tax Rates in (Property Tax) 2
(Sales Tax) ____
(Others) 1

4. Counties where property assessment has (Increased) 4
(Decreased) 1

5. Counties where property tax delinquencies have increased 5

6. County Governments that are under constraints that prevent or limit increasing revenues. 11

7. Counties that have reached the limit of their taxing capacity 9

8. State Financial Aid to County Government (Increased) ____
(Decreased) 3
(Remained the Same) 7

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 9

10. Counties that have increased tax or other revenues which offset loss of GRS. ____

11. Counties that have rebudgeted to accommodate loss of GRS. ____

12. Counties that have revenue surplus to cover loss 2

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 1

STATEWIDE SAMPLE NACO IMPACT SURVEY

WYOMING

Counties in Sample 6
% of State Total 26

1. Counties which have (Increased Tax Revenues) ____
(Decreased Tax Revenues) 6
(Tax Revenues remain the same) ____

2. Counties which have (Increased Tax Rates) 3

3. Counties have increased Tax Rates in (Property Tax) 1
(Sales Tax) 1
(Others) 1

4. Counties where property assessment has (Increased) 3
(Decreased) 2

5. Counties where property tax delinquencies have increased 5

6. County Governments that are under constraints that prevent or limit increasing revenues. 3

7. Counties that have reached the limit of their taxing capacity 3

8. State Financial Aid to County Government (Increased) ____
(Decreased) 6
(Remained the Same) ____

9. Counties that have cut, reduced, or eliminated services or programs due to loss of GRS. 3

10. Counties that have increased tax or other revenues which offset loss of GRS. ____

11. Counties that have rebudgeted to accommodate loss of GRS. ____

12. Counties that have revenue surplus to cover loss 1

13. Counties that may have to cut or increase revenues in coming 87/88 Budget to offset loss of GRS 2

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The Impact of Declining Federal Support on States Affected by the Farm Crisis

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EXECUTIVE SUMMARY: THE IMPACT OF DECLINING FEDERAL SUPPORT ON STATES AFFECTED BY THE FARM CRISIS

I. The Farm Crisis

- In 1980-1984, real net farm income was nearly 40% lower than during the 1970s.
- Farmland lost $146 billion in value in 1982-1985, a tremendous loss in individual wealth.
  - In many farm states, farm land values have declined dramatically by over one-third in 1981-1986: Iowa (-59%), Nebraska (-55%), Minnesota (-55%), Illinois (-49%), Missouri (-43%), South Dakota (-42%), and Kansas (-41%), Arkansas (-33%), North Dakota (-33%), Mississippi (-26%), Idaho (-23%), Colorado (-22%), and Montana (-22%).
- About one-third of all commercial-sized farms are in trouble, Family-sized farms (with sales $40,000 - $250,000 annually) are in particular financial distress.
- Commerce is suffering too. Sales of large tractors dropped from almost 55,000 in 1979 to only 20,000 in 1984. One study estimates that depressed farm construction and machinery firms resulted in losses of over $26 billion in total output in the years 1977-1984.

II. Farm States and Localities are Also Under Stress

- When farm incomes (and related commercial incomes) drop, so do state income tax revenues; when sales drop, so do state sales tax revenues.
  - Seven out of the 10 most heavily farm-dependent states in this report had to make one or more cuts in their budgeted fiscal year 1986 spending: North Dakota, Nebraska, Iowa, Montana, Minnesota, Arkansas and Idaho.
  - Five of these states went so far as to cut education budgets, a key indicator of financial stress.

- Many rural states have been hit by other problems at the same time as the farm crisis. Montana, North Dakota, Oklahoma, and Texas have been hit by the drop in energy prices. States in the Northwest have been hit by high unemployment in timber, and many states have been affected by declines in mining.

- Local governments have also suffered. Farm property values have plummeted, and this will cause severe declines in property tax revenues. For local revenues, the worst is yet to come.

- Meanwhile, tax delinquencies and foreclosures are causing immediate revenue problems: tax delinquencies in selected Nebraska crop reporting districts rose seven-fold and delinquencies in communities studied in Iowa, Kansas, Minnesota and Montana more than doubled in 1980 - 1985.

- As states feel increasing fiscal pressure they are forced to cut back their aid to localities. These cuts are hitting just as localities face their own difficulties in maintaining tax revenues.

- Despite revenue problems, states and localities face new demand for services. Interest rate buy-downs, interest deferrals, and other financial help for distressed farmers, as well as counselling, job retraining, hot-lines, and other services.

III. What is the Federal Government Doing to Help States and Localities Cope?

- General revenue sharing is the major federal program benefitting rural areas. Eighty-five percent of the 39,000 localities receiving GRS have a population under 10,000.

  -- For FY 1986, GRS will provide over $900 million to the 15 most farm-dependent states in the report.

  -- GRS provides a large amount of money for localities, averaging over 10% of county tax revenues in 8 of the 15 most farm-dependent states. In many of these states, GRS provides much higher support: Arkansas (29.7%), Mississippi (22.4%), Kentucky (21.2%), Idaho (17.8%), and North Dakota (13.9%).

- Elimination of GRS would come at a hard time for localities struggling with the farm crisis.

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EXECUTIVE SUMMARY: THE IMPACT OF DECLINING FEDERAL SUPPORT ON STATES AFFECTED BY THE FARM CRISIS

I. Introduction

This paper examines the impact on farm states and communities of cuts in federal programs, and especially the proposed elimination of General Revenue Sharing (GRS).

Agriculture is undergoing significant financial distress brought on by high farm production, low commodity prices, declining export markets and dropping farm values. Substantial restructuring is taking place to adjust to the new economics of farming. These agricultural developments have adversely affected state and local governments and these effects are compounded by cuts in federal support for programs essential to farm communities.

II. The Farm Crisis

The farm crisis affects first and foremost individual farmers and their families. From 1980 to 1984, real net farm income was nearly 40% lower than the average farm income of the 1970's. Moreover, farmlands have steadily declined in value since 1981. Nationwide, agricultural land values have fallen more than 30%, from $823 per acre in 1982 to $596 per acre in 1986. Farm land values fell by a total of $146 billion in 1982-85, a tremendous loss in individual wealth.

A 1985 USDA survey found about 213,000 farms, or nearly 13% of the 1.7 million enterprises represented, with debts equal to 40% or more of the value of their assets, and negative cash flows. Financial experts view such farms as being the most likely to go out of business. In Idaho, twenty-one percent of farmers say they expect to be out of business within a year; in Texas 15%, and in Nebraska, Missouri and Kansas six percent, say this will be their last year.

The farm crisis also affects non-farm businesses. When farm commodity prices fall, related industries such as fertilizers, pesticides, fuel, equipment, farm machinery, credit, labor and agricultural services also suffer. An Iowa State University study estimates that the depressed condition of farm construction and machinery firms, for example, caused estimated losses of $26.2 billion in total output in the years 1977-1984. This amounted to a loss of 327,000 jobs and $6.4 billion in personal income.

III. The Condition of Farm State Governments

This year, seven of the ten ranking farm states examined in this report -- North Dakota, Nebraska, Iowa, Montana, Minnesota, Arkansas and Idaho -- have been forced to cut their FY 1986 budgets as a result of revenue shortfalls.

In addition, these states have come under increasing pressure to provide emergency programs and financial support to farmers, and this means increased public spending for interest rate buy-downs, deferrals and other aid to farmers in debt.

IV. The Condition of Local Government in Farm States

The farm crisis is also a crisis for farm communities. Local governments must provide new services such as counseling and job training to their citizens. Outmigration reduces community strength. Communities also suffer when the decline in agricultural property values threatens to reduce property tax revenues, the mainstay of the local tax base.

Thirteen out of fifteen farm states lost over one-fifth of the value of their farm land between 1981 and 1986, including three where values dropped by over 50%: Iowa (-59%), Nebraska (-55%), and Minnesota (-55%).

In addition, local tax bases have been buffeted by sizable increases in property tax delinquency rates. One study found that in Nebraska communities, delinquent taxes increased seven-fold between 1980 and 1985, while delinquencies in communities in Iowa, Kansas, Minnesota and Montana more than doubled over the same period.

A combination of declining local revenues, increasing demand for local services for farmers in distress, and potentially declining state assistance to localities will make it increasingly difficult, and eventually impossible for communities to fund local services at adequate levels. Rural America simply cannot replace programs threatened by federal cutbacks.

V. The Impact of Federal Cutbacks on Communities in Farm States

A. Federal Programs for Rural Communities

The federal government has cut support for state and local governments by an average of 23.5% (in constant dollars) from 1980 to 1985. Moreover, the Administration's proposed cuts in federal support to state and local government for fis[illegible] 2-98 ould exceed projected fiscal year 1986 surpluses for all but one of the fifteen farm states in this report.

In fiscal years 1980-1986, there have been major cuts in programs needed by rural communities: the Farmers Home Adminstration, Appalachian Regional Commission, Economic Development Administration, EPA construction grants, Community Services Block Grants, Community Development Block Grants, and General Revenue Sharing. Altogether this amounts to billions of dollars in rural service reductions.

B. The Impact on Farm Communities of Eliminating General Revenue Sharing

Of the federal programs proposed to be cut in FY 1987, General Revenue Sharing is the most important for rural communities. In FY 1986, GRS will provide $912.1 million to localities in the fifteen farm states included in this study. In the years since the beginning of General Revenue Sharing in 1972, through the 1986 payments, General Revenue Sharing will have provided a total of $19 billion to the fifteen states.

Because General Revenue Sharing is one of the few federal grant programs available to smaller rural localities, its elimination will hit farming communities especially hard. On average, while revenue sharing constitutes 21.8% of federal aid to general purpose localities, GRS constitutes 44.5% of federal aid received by general purpose localities in farm-dependent areas.

GRS also represents a high percentage of tax revenues of those local farm communities. In 1985, GRS provided money amounting to over 10% of the average county tax revenues for six of the ten ranking farm states in the present study: Arkansas (29.7%), Idaho (17.8%), North Dakota (13.9%), Montana (11.2%), South Dakota (10.8%), and Nebraska (10.1%). Again, these averages are higher than the national average for all counties in the United States. If eliminating GRS forced communities to cut services across the board, farm localities would have to eliminate thousands of police officers, firefighters, human service workers, and street maintanence workers. Human services such as senior citizens assistance and other discretionary programs such as community development would be the most vulnerable to cuts.

In short, the withdrawal of revenue sharing funds will hurt farm communities at a time when they can't take up the slack. Beset by declining economies and their own shrinking revenue bases, farm communities will be forced to pare services needed by their citizens. For the national government, with its record trillion dollar FY 1987 budget to claim that "we have no revenue to share" is to undercut the financial basis of mutual support farm communities rightfully expect of our federal system.

THE IMPACT OF DECLINING FEDERAL SUPPORT ON STATES AFFECTED BY THE FARM CRISIS

I. Introduction

Agriculture is undergoing significant financial distress brought on by high farm production, low commodity prices, declining export markets, and dropping farm values. Substantial restructuring is taking place to adjust to the new economics of farming. These agricultural developments have adversely affected state and local governments and their effects are compounded by cuts in federal support for programs essential to farm communities.

This paper examines the impact on farm states and communities of cuts in federal programs, and especially the proposed elimination of General Revenue Sharing. The states considered will be those with the greatest percentage of farm dependent counties. They tend to be located in the Corn Belt and the Northern Plains, where the farm crisis has struck most intensively. In particular, we shall focus on the ten states with the greatest percent of farm-dependent counties (See Table 1): North Dakota, Nebraska, South Dakota, Iowa, Montana, Minnesota, Arkansas, Kansas, Idaho, and Missouri. We shall also touch upon other states including the next five ranking states with the greatest percent of farm-dependent counties: Colorado, Kentucky, Illinois, Texas and Mississippi. In the 15 top-ranking states, according to the U.S. Department of Agriculture (USDA), the number of agriculture-dependent non-metro counties ranges between 23% and 74% of all counties in the state.[1]

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[1] The USDA considers counties to be agriculture-dependent if a weighted average of at least 20 percent of wages and proprietors' income in the years 1975-1979 came from farming. Twenty-nine percent, or 702 counties out of all 2,443 non-metro counties, meet that criterion. By focusing on the non-metro counties, the USDA omits consideration of farming near metropolitan areas (especially dairy farming and truck farming) where the impact of declining farm incomes and lower land values has not been as severe. See Bender, *et al.*, *The Diverse Social and Economic Structure of Nonmetropolitan America*, USDA, ERS Rural Development Research Report, pp. 3-5 (1985), and Ross and Green, *Procedures for Developing a Policy-Oriented Classification of Nonmetropolitan Counties*, ERS Staff Report (1985).

Table 1. Continental U.S. States Ranked by Percent of Non-Metro Farming-Dependent Countries

State	Total number of Counties	Number of Non-Metro Farming-Dependent Counties 1/	% of Counties Farming-Dependent
North Dakota	53	39	74
Nebraska	93	64	69
South Dakota	66	42	64
Iowa	99	54	55
Montana	57	24	42
Minnesota	87	35	40
Arkansas	75	29	39
Kansas	105	40	38
Idaho	44	16	36
Missouri	115	36	31
Colorado	63	18	29
Kentucky	120	35	29
Illinois	102	29	28
Texas	254	61	24
Mississippi	82	19	23
Washington	39	9	23
Wisconsin	72	15	21
Georgia	159	32	20
Florida	67	13	19
New Mexico	32	6	19
Oklahoma	77	15	19
California	58	10	17
Indiana	92	14	15
North Carolina	100	15	15
Oregon	36	5	14
Utah	29	3	10
Alabama	67	6	9
Louisiana	64	6	9
Wyoming	23	2	9
Vermont	14	1	7
Nevada	17	1	6
Michigan	83	2	2
South Carolina	46	1	2
Virginia	136	3	2
Ohio	88	1	1
Tennessee	95	1	1
Total		702	

1/ Non-metro indicates that no place in the county had population exceeding 50,000 in 1974. In the continental U.S., there are 2,443 non-metro counties and 626 metro counties for a total of 3,069.

Farming-Dependent county indicates that during the 5 years (1975-79) agriculture/ranching production accounted for 20% or more of labor and proprietor income.

Source: U.S. Department of Agriculture,
Economic Research Service, 1985

The paper is divided into five sections, including this introduction. The context of the farm crisis is presented in the second section, including analysis of the number of distressed farms, declining farm incomes, and effects on related commercial enterprises from the farm crisis. The third section analyzes the condition of state governments, including the impact of the farm crisis on state budgets and the increased demand for state emergency programs. Section Four examines the condition of local governments, including the impact of declining farm property values, increasing tax delinquencies and foreclosures, and increased demands for local services. Finally, Section Five analyzes the impact on local governments in the farm states of cuts in federal programs, especially General Revenue Sharing. Revenue sharing provides special support to farm areas, often amounting to a third, half or even two-thirds of all federal support to local governments in farm regions. For farm communities, the federal cutbacks could not come at a worse time.

II. The Farm Crisis

Agriculture is in crisis because of high levels of farm debt and declining land values and farm incomes. U.S. farmers are still producing for export markets that began declining in 1982. Overproduction relative to foreign and domestic demand has depressed commodity prices, which in turn has reduced farm income, driven down land prices and stressed major agricultural institutions including the farm credit system. Historically high real interest rates and the strength of the dollar have also contributed to the problem. The U.S. share of foreign markets has dropped under pressure from foreign competitors that have greatly increased their agricultural production capacity. As a result, U.S. agricultural exports fell by over 35 percent, from $43.8 billion in fiscal year 1981, to about $28 billion forecast for fiscal year 1986.2/ The farm crisis has profoundly affected both individual farmers and the economies of the state and local governments in farming regions.

2/ Congressional Research Service, "Agriculture and the 99th Congress: Overview," updated 5/21/86, P.5. Among the states in this report with a relatively high dependence on export agriculture are North Dakota, Kansas, Montana, Iowa, Nebraska, Minnesota, Missouri, South Dakota, Idaho, and Arkansas. GAO, Financial Condition of American Agriculture, p.10, (October 1985).

The farm crisis affects first and foremost individual farmers and their families. From 1980 to 1984, the Department of Agriculture reports that real net farm income averaged only $25 billion (in 1982 dollars), down nearly 40% from the average farm income of the 1970s.[3]

Farmers in most farm states have suffered major losses in net farm income. In Iowa in 1983, for example, net farm income was a negative $1,891 per farm. In South Dakota, annual net farm income has dropped by one-third over the last ten years, from an average of $750 million (in 1982 dollars) in 1975-1979 to $500 million in 1980-1984. Mississippi, already one of the poorest states in the U.S., has been hit even harder. Over the same period, the state's annual net farm income (in 1982 dollars) dropped 58.5%, from an average of $680 million in 1975-79 to $282 million in 1980-84.

This decline in farm income has been compounded by a steady decline in the value of farm lands since 1981. Nationwide, agricultural land values have fallen by more than 30%, from $823 per acre in 1982 to $596 per acre in 1986. The U.S. Department of Agriculture estimates that farm land values fell by a total of $146 billion between

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[3] USDA, Economic Research Service, Farm Income Data: A Historical Perspective, Table 2, p. 15, (May 1986).

1982 and 1985, a tremendous loss in individual wealth.[4/]

Farmland prices had risen substantially in the 1970's, leading many farmers to assume unusually large debt burdens. During the 1970's, total farm debt rose by 213 percent, from $53 billion to $166 billion. Now land values have dropped, leaving many farmers saddled with substantial and sometimes unbearably high debt compared to their assets.

A 1985 USDA survey found nearly a third of all commercial-sized (farms with annual sales over $40,000) in financial difficulty. About two-thirds of those farms are financially stressed, with high debt load and negative cash flow, while another third are at risk because of high debt loads, even though they had positive cash flow the year before. Farms with annual sales between $40,000 and $250,000, the "family-sized farms", tend to be in trouble. On the whole, smaller and larger farms seem to be in better shape, although many also have cash flow and debt

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[4/] The Senate Subcommittee on Intergovernmental Relations, Governing the Heartland: Can Rural Communities Survive the Farm Crisis, May 1986, p.6 (Hereafter: "Senate Subcommittee Report".) See generally, USDA, Economic Research Service, Farm Real Estate: Historical Series Data, 1950-85, Table 1, p.3 (December 1985).

problems.[5] Altogether, about 213,000 farms, or nearly 13 percent of the 1.7 million enterprises represented in the survey, had debts equal to 40 percent or more of the value of their assets, and negative cash flows as of January 1, 1985. Financial analysts view farms with these characteristics as being the most likely to go out of business.

The 1986 Midwest Farm Finance Survey includes information on farm debt-asset ratios in six states in the present survey. All had significant proportions of distressed farmers with debt-asset ratios above 40 percent: Iowa (38.3% of farmers), North Dakota (37.8%), Nebraska (36.8%), Kansas (30.8%), Illinois (29.3), and Missouri (21.2%).[6] Sixty percent of the financially stressed farms are concentrated in the Corn Belt, Lake States, and Northern Plains. This is also the region where the steepest drop in farm land value has occurred.

Farmers have held on tenaciously, but are beginning to drop off after five years of declining farm prices and land values. Twenty-one percent of Idaho farmers say they expect to be out of business within a year. In Texas, over 15 percent of farmers have told the State Agriculture Department this will be their last year in farming. In Nebraska, Missouri and Kansas, about six percent have said this will be their last year. Other major agricultural states report similar figures, with many farmers carrying on only because of bumper crops last fall and large government subsidy payments.[7]

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[5] Financial Characteristics of U.S. Farms, January 1985, p. vi; Farm Sector Financial Problems: Another Perspective, p. 14.

[6] Neil E. Harl, Institute for Economic Research, University of Iowa, "The Two Crises in Agriculture", Table 1 (June 1986).

The farm crisis also affects non-farm businesses. When farm commodity prices fall, related industries such as fertilizers, pesticides, fuel, equipment, farm machinery, credit, labor and agricultural services (e.g., tilling, harvesting) also suffer. [8] For example, the number of farm implement dealerships in Nebraska has fallen 13% since December 31, 1983. Manufacturing in Nebraska, which is based primarily on farm equipment and food processing (both farm-oriented industries), has lost over 10,000 jobs from 1979 to 1985, declining 11%.

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[7] "Survey Finds Idaho Farm Crisis Worsens", Idaho Statesman, June 4, 1986, p.l. "Many Quit Farming As Credit Crisis Dims Hopes," Washington Post, June 3, 1986, p. 1.

[8] Fred Hines, Mindy Petrulis, and Stan Daberkow, Economic Development Division, Economic Research Service, U.S. Department of Agriculture, "An Overview of the Non-Metro Economy and the Role of Agriculture in Non-Metro Development" (Undated).

An Iowa State University study estimates that the depressed condition of farm construction and machinery firms caused estimated losses of $26.2 billion in total output in the years 1977-1984. This amounted to a loss of 327,000 jobs and $6.4 billion in personal income. The Farm and Industrial Equipment Institute reports that only 20,193 large tractors (40 horsepower and above) were sold in 1984, compared to 54,728 in 1979; 3,263 combines, balers, and harvesters were sold in 1984, down from 9,462 five years earlier.[9]

In North Dakota, Steiger Tractor has recently filed for Chapter 11 Bankruptcy Protection. In Illinois, companies such as John Deere, Caterpillar, and International Harvester have laid off thousands of workers, devastating many of the state's western industrial pockets. Unemployment in the Quad Cities Region, which contains large farm equipment manufacturing plants, currently runs near 15%, twice the national rate.

The Senate Subcommittee on Intergovernmental Relations studied nine rural Minnesota counties to determine the impact of declines in farm income on the local economy; the study found that for each dollar decline in net farm income, merchants in farm areas will lose almost twenty cents, and

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9/ Cited in GAO, Financial Condition, op.cit., p. 40.

that a long-term decrease of $64,000 in net farm income reduces local commercial employment by one job. Altogether the nine rural counties had 15% fewer commercial sector jobs than there would have been without the current drop in farm income. While these figures must be used with care and cannot automatically be projected to other areas, it is clear that local businesses cannot thrive while their farm customers fail. 10/

Because they are carefully observed by federal regulators, banks provide the most readily documented example of the impact of the farm crisis on non-farm enterprises. In 1984, 32 of the 78 bank failures (41%) nationally were agricultural banks. In 1985, 68 of the 118 bank failures (58%) were agricultural banks. As the Farm Credit Administration reports, "Traditionally, agricultural banks have experienced low loss and failure rates; however, the rapid deterioration in farm finance has altered the picture substantially, forcing the agricultural banks to curtail their lending activities." 11/

The Farm Credit Administration reports a withdrawal of commercial banks from agricultural lending in the past year,

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10/ Senate Subcommittee Report, op. cit., pp. 14-16.

11/ Farm Credit Administration, Office of Adminstration, Summary Report of Condition and Performance of the Farm Credit System, Quarter Ending December 31, 1985, issued May 13, 1986, p. 6.

and attributes this to their diminished financial performance. Net charge-offs of farm production loans at all commercial banks totalled $1.3 billion in 1985, up from $900 million in 1984. Total charge-offs represented 3.7% of the farm loans outstanding at year end 1985, versus 2.2% for year end 1984.

Loan delinquency rates for agricultural banks have continued to rise, indicating that future charge-offs are likely to remain high. At year end 1985, total nonperforming loans amounted to 4.5% of the total agricultural lending portfolio of commercial banks, compared with 3.6% a year ago. As of September 30, 1985, nonperforming and delinquent loans held by the major government and private lenders amounted to $25.7 billion, or about one-sixth of their total outstanding principal. Ultimately, loan losses from farm bankruptcies could amount to $10-$20 billion or more.[12]

Net earnings of agricultural banks reflect the adversity that has hit the farm sector since 1981. In 1985, 18% of rural banks had negative earnings, compared with 12% in 1984. The average return equity for agricultural banks was only 6% in 1985. Moreover, the number of high-concern banks continues to increase. At the end of 1985, there were 806 commercial banks with problem loans that exceeded the bank's total capital. Of this total, 332 were agricultural banks. Thus, although agricultural banks are only 28% of all banks, they account for 41% of the problem banks.

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[12] General Accounting Office, Farm Finance: Farm Debt, Government Payments and Options to Relieve Financial Stress (March 1986); Food and Agriculture Policy Research Institute, (FAPRI), "Summary Report: Economy-wide Impacts of the Farm Financial Crisis," July 1985 (Revised); Financial Condition, p. 3.

Of course, when farm lenders get into trouble, they are less able to be lenient with their borrowers. The Farmers Home Administration (FmHA), which holds more than a million acres of repossessed land, has invoked tough new rules that will cut off farmers in greatest trouble. The relentless economic adjustment process will continue until farm prices increase, permitting farmers to pay their creditors; for thousands of heavily indebted farmers and their depressed communities, no such relief is in sight.13/

13/ Neil E. Harl, op. cit. "The Two Crises in Agriculture",(1986) "Farm Economy Slump May Be Near End But Any Recovery Will Be Slow and Uneven," Wall Street Journal, June 3, 1986, p.6.

III. The Condition of Farm State Governments

When farmers and farm-dependent businesses lose income, they pay less income taxes; when they reduce spending, they pay less sales taxes. The result can be a serious and rapid decline in state revenues from these taxes. In FY 1986, 18 states have been forced to cut back their spending from budgeted levels in the middle of the fiscal year as a result of revenue shortfalls.[14] These include seven of the ten heavily farm dependent states examined in this report: North Dakota, Nebraska, Iowa, Montana, Minnesota, Arkansas, and Idaho.

The Advisory Commission on Intergovernmental relations (ACIR) studied ten farm states (largely overlapping with those in this report) and found five had decreased funding for education since adopting their FY 1986 budgets: North Dakota, Iowa, Nebraska, Arkansas and Montana. The ACIR finds such cuts to be a significant measure of state fiscal stress because education is probably the most popular public service and typically is one of the last government functions to be cut in hard times.[15]

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[14] National Governors Association and National Association of State Budget Officers, Fiscal Survey of the States 1986 (March 1986); Since the March list of 17 states, New Mexico was also forced to cut its budgeted spending.

[15] Advisory Commission on Intergovernmental Relations, The Agricultural Recession: Its Impact on the Finances of State and Local Government, p. 10 and Table 1, p. 8 (June 1986).

Farm states are being forced to cut their other services as well. The State of Nebraska, for example, was recently forced to cut $17 million across-the-board from its budget (with human services and public safety expenditures partially shielded). The state forestalled a second round of cuts only by increasing its sales tax rate.

The State of Iowa, after a 2.8% across-the-board budget cut in 1984 and another 3.85% cut in 1985, still faces budget problems, despite a recent sales tax increase. Mississippi, which already has one of the nation's lowest per capita state and local expenditure levels, has cut its budget three times since November, slashing department spending across-the-board and delaying important capital construction projects. State officials warn that even with the most recent budget cut, of over $13 million, Mississippi has not yet resolved its fiscal problems.

Some farm states have also been hit by declining energy prices. The State of Montana, faced with substantial losses in severance tax revenues, cut its current appropriations by 2%. To meet a projected $88 million deficit in FY 1987, Governor Ted Schwinden has proposed a further 5% across-the-board cut, as well as freezing state employee wages and cancelling scheduled increases in the state's foundation aid for public schools.

Similar conditions in North Dakota, whose FY 1986 revenues declined 19.5% from FY 1985, have forced large cuts in state education spending, with the state's share of total education spending dropping from 63% to 44%. As many as 500 teachers may be laid off.

In addition, farm states have come under increasing pressure to provide emergency financial support to farmers, and to provide increased education, counseling and job retraining for those forced from their farms. This means increased public spending. Because farmers are not accustomed to traditional relief programs (and also to assure that scarce recources are targeted to farmers most likely to succeed in returning to financial soundness), states have tended to provide aid indirectly through interest rate buy-downs or deferrals or other interest rate support programs. Thus, the State of North Dakota has created two deferral programs permitting farmers to borrow without paying interest in the short term. Similarly, Minnesota has authorized $10 million for a program to buy down farm interest rates. Minnesota is also having to allocate millions of dollars to cover losses from its Family Farm Security Program, because of farmers defaulting on loans made in the late 1970's. Officials in Missouri use state revenues to purchase low-yielding certificates of deposit at participating financial institutions, which make below market rate loans to needy farmers.[16]

Possibly because the farm states are already under financial pressure, it is noteworthy that these programs are relatively small compared to the magnitude of poverty relief programs familiar to urban areas.

Finally, as will be discussed in Part V below, the states are suffering cutbacks in federal assistance. Computer analyses have been completed on the Reagan Administration's proposed FY 1987 budget. While Congress will undoubtedly find many of the proposals unacceptable, the analyses show that the proposed budget cuts in federal support to state and local governments would exceed projected FY 1986 surpluses for all of the fifteen farm states in this report except North Dakota. [17] This follows federal cuts in aid to state and local governments averaging 23.5% (in constant dollars) from 1980-1985.[18] While some states may be able to absorb these cuts from their own revenues, the drop in federal aid hits the farm states at a time when they are least able to cope. The farm crisis, exacerbated by a major decline in federal aid, is having a direct and potentially long-term impact on the ability of farm states to finance their public services.

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[16] National Governors' Association, Center for Policy Research and Analysis, Federal and State Responses to the Farm Financial Crisis, pp. 7-9 (July 1986); Mark G. Popovich, Council of State Policy & Planning Agencies, State Emergency Farm Finance: A Review (1986).

[17] AFSCME, State of the States: A 1986 Policy Report, Table 4, p. 21. Computer analysis of the state-by-state impact of the final federal FY 1987 budget must await congressional passage of the budget bill.

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[18] Lillian Rymarowicz and Dennis Zimmerman, The Effect of Federal Tax and Budget Policies in the 1980's on the State-Local Sector, Congressional Research Service, Table 1, p. 6 (January 1986).

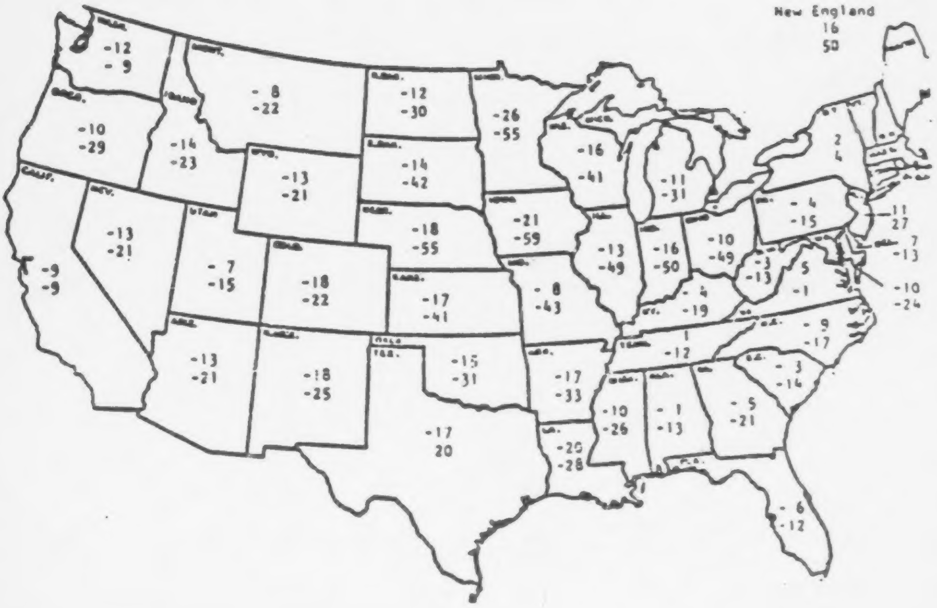
IV. The Condition of Local Governments in the Farm States

The farm crisis is also a crisis for farm communities. Increasingly, local governments must provide added services such as counseling and job training to their citizens. Outmigration, especially by people losing their farms or businesses, reduces community strength.[18/] Communities also suffer when the decline in agricultural property values threatens to reduce property tax revenues, the mainstay of the local tax base.

Figure 1 presents a map showing the drop in farm property values nationally since they peaked in value in the late 1970's. Table 2 shows the decline in farm real estate value between February 1, 1981 and February 1, 1986, for the fifteen states in our study. Seven of the fifteen states saw farm values decline by over one-third: Iowa (-59%), Nebraska (-55%), Minnesota (-55%), Illinois (-49%), Missouri (-43%), South Dakota (-42%), and Kansas (-41%). Six other states lost over one-fifth of the value of their farm land: Arkansas (-33%), North Dakota (-30%), Mississippi (-26%), Idaho (-23%), Colorado (-22%), and Montana (-22%).

[18/] Alvin D. Sokolow, "Local Governments: Capacity and Will", in Amos H. Hawley and Sara Mills Mazie, eds., Non-Metropolitan America in Transition, University of North Carolina Press, pp. 725-26 (1981).

FIGURE 1: Percent Change in Average Value of Farm Real Estate Per Acre
April 1, 1985 - February 1, 1986 and
February 1, 1981 - February 1, 1986


New England
16
50
-12
- 9
-10
-29
-9
-9
-14
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-13
-21
- 8
-22
-13
-21
- 7
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- 1
-13
- 5
-21
- 6
-12
- 3
-14
- 9
-17
5
-1
-3
-13
- 4
-15
2
4
11
27
7
-13
-10
-24

Top No.: Change from 1985 to 1986
Bottom No.: Change from 1981 to 1986
Source: USDA

TABLE 2

THE DECLINE IN FARMLAND VALUES

Percent Change in Average Farm Real Estate,
Per Acre

State	2/1/81-2/1/86	4/1/85-2/1/86 (Ten months)
North Dakota	-30%	-12%
Nebraska	-55%	-18%
South Dakota	-42%	-14%
Iowa	-59%	-21%
Montana	-22%	- 8%
Minnesota	-55%	-26%
Arkansas	-33%	-17%
Kansas	-41%	-17%
Idaho	-23%	-14%
Missouri	-43%	- 8%
Colorado	-22%	-18%
Kentucky	-19%	- 4%
Illinois	-49%	-13%
Texas	20%	-17%
Mississippi	-26%	-10%

Source: USDA, Economic Research Service, Agriculture Information Bulletin No. 499, Farm Sector Financial Problems: Another Perspective, (May 1986).

These figures represent declines in market value, rather than taxable value. Many farm states tax agricultural land on the basis of its productivity, and not on market value, so property tax revenues will not decline immediately. But, when assessment guidelines are revised to reflect the current earning power of the land, declines will be substantial.

Throughout the Farm Belt, local governments have already begun to feel the crunch. In Perkins County, South Dakota, taxable values fell 25% two years ago, and County Auditor Fern Brockle reports that they are still falling. In Pannee County, Nebraska, declining property tax revenues have contributed to a projected deficit of $100,000, or 20% of the county's current operating budget.

The State of Illinois has partially stabilized the taxable value of its agricultural land by limiting changes in valuations to not more than 10% in any single year. Still, in heavily-farmed central and southern Illinois, valuations are "generally declining at the maximum rate," according to George Miller, Executive Director of the Township Officials Association of Illinois.

During the late 1970's, while farmland values surged, property tax assessments and revenues failed to keep pace. Instead, farm property taxes per $100 of market value fell, from a national average of $1.10 in 1971 to $0.48 in 1981.

Farm property taxes per acre rose slightly, at an annual compound rate of about 5 percent. (This compares to increases in farm production expenses of nearly 12 percent per year over the same period). In short, assessed values didn't keep pace with market values during the period of farm prosperity and communities have no cushion now that farming is depressed.[20/]

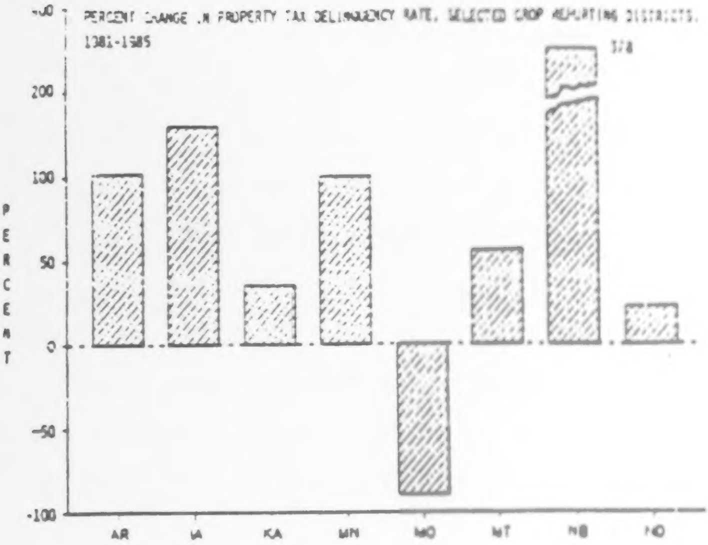
The Senate Subcommittee report concludes that: "The write-down of agricultural property values, and the accompanying decreases in the local tax base have the potential to permanently change the quality of life in rural America, particularly in those regions primarily dependent on agriculture." [21/]

In addition, local tax bases have been buffeted by sizeable increases in property tax delinquency rates. Figure 2, taken from the Senate Subcommittee Report, shows the percent change in property tax delinquency rates for selected crop reporting districts between 1981-1985. The Senate Subcommittee found that in the Nebraska counties studied, delinquent taxes increased seven fold between 1980 and 1985, growing from a total of less than $.75 million dollars in 1980 to more than $5.5 million in 1985.

[20/] James Hrubovcak and Frances A. Burke, Farm Real Estate Taxes, 1981, USDA, Economic Research Service, Table 4, p. 6 (November 1983).

[21/] Senate Subcommittee Report, p. 7.

Figure 2



Source: Senate Subcommittee on Intergovernmental Relations

Delinquencies in Iowa, Kansas, Minnesota and Montana more than doubled over the same period.[22]

Thus, rural local governments find themselves under financial pressure and face the prospect that the pressure will increase. Because of similar financial pressure on state governments noted earlier, local governments are unlikely to obtain additional relief from the state level. Indeed, cuts in state budgets could well force states to cut aid to localities. In Nebraska, for example, Pat Vuchetich, of the State Association of Counties reports that state aid to local government has already declined 2-4% every year over the last five years.

This is important because state aid is currently the largest single source of revenue for many local rural communities, even exceeding property tax revenues. The Senate Subcommittee reports that for non-metro local governments 38% of their revenues came from state aid in 1982. For the 702 agriculturally dependent non-metro counties, more than 40% of local government revenues came from the state. For the crop reporting districts surveyed by the Senate Subcommittee, local dependence on state revenues ranged from under 20% in Montana and Kansas to over 40% in Arkansas, Minnesota and North Dakota.

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[22] Ibid., pp. 16-17.

Declining local revenues and state cuts inevitably mean cuts in local services. Maintaining roads and bridges, for example, is an important responsibility of rural governments. Rural roads are essential for marketing farm products and for transporting farm supplies such as fertilizers, herbicides, insecticides and prepared feed. Especially with increased truck traffic due to reductions in rural rail service, rural roads have been deteriorating rapidly. Rural townships in four farm states -- Illinois, Minnesota, Ohio and Wisconsin -- require over an estimated $2.5 billion to bring roads and bridges to acceptable condition. Even in good times, this far exceeds available township budgets.[23]

In today's hard times, even though road expenditures are supported in part by gasoline taxes, townships are being forced to close bridges and reduce roads to lower grade surfaces. In Illinois, a recent survey of the state's township highway commissioners estimated that 30% of the state's rural roads, and 32.7% of its rural bridges, required major repair or reconstruction. Faced with increasing road maintenance and construction costs on the one hand, and declining local revenues on the other, many of Illinois' rural communities, according to local government spokesman George Miller, "will be picking and choosing which roads to close." States such as Iowa and Nebraska have had to implement a "primitive roads" system, providing lower levels of service and warning motorists they travel at their own risk. Even when exacerbated by the farm crisis, rural infrastructure problems receive little publicity; but they cause serious hardship nevertheless.24/

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[23] David Chicoine and Norman Walzer, Financing Roads and Bridges in the Midwest, USDA, Office of Transportation and Agricultural Marketing Services, October 1984.

It is this context that makes any proposed reduction in federal support, such as a possible loss of revenue sharing, so devastating for local governments. The combination of declining local revenue, increasing demand for local services for farmers in distress, and potentially declining state assistance to localities, together make adequate funding of local services an impossibility. Rural America, and the 702 farm-dependent counties in particular, simply cannot replace the programs threatened by the federal cutbacks.

24/ See e.g. J. Norman Reid, et. al., Availability of Selected Public Facilities in Rural Communities: Preliminary Estimates, USDA Economic Research Service (March 1984).

V. The Impact of Federal Cutbacks on Farm Communities

A. Federal Programs for Rural Communities

Rural governments benefit from a variety of federal programs. Many of these programs have been reduced since 1981 and are now scheduled for further cuts or outright elimination. Table 3, prepared by the National Association of Development Organizations, lists appropriations and loan authority for federal programs that (in whole or in part) provide assistance to rural development. Comparing the years FY 1980-1986, one sees major cuts in:

- Farmers Home Administration programs (over 50% drop in water and waste disposal grants and loans).
- Appalachian Regional Commission (over 50% drop in non-highway programs).
- Economic Development Administration (over 50% drop in listed programs).
- EPA construction grants (over 60% drop).
- Community Services Block Grants (over one-third drop).
- Community Development Block Grants (19% drop).
- General revenue sharing (39% drop, primarily loss of the state share of GRS).

Table 3

FEDERAL BUDGET COMPARISON, FY80-86, RURAL PROGRAMS

	1980	1981	1982	1983	1984	1985	1986	1987	[illegible]
DEPARTMENT OF AGRICULTURE									
FmHA									
Water & Waste Disposal Grants	290.0	200.0	125.0	300.0	90.0	115.0	109.4	0.0	[illegible]
Water & Waste Disposal Loans	(760.0)	(720.0)	(375.0)	(600.0)	(270.0)	(240.0)	(140.0)	0.0	[illegible]
Community Facility Loans	(240.0)	(260.0)	(125.0)	(130.0)	(130.0)	(115.0)	(100.0)	0.0	[illegible]
Business & Industry Grants	10.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	[illegible]
Business & Industry Loans	(1073.0)	(741.0)	(300.0)	(300.0)	(300.0)	(61.4)	(130.0)	0.0	[illegible]
Fire Protection Grants	3.5	3.5	3.3	3.3	3.3	3.3	3.1	0.0	[illegible]
Planning Grants (Sec. 111)	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	[illegible]
Rental Housing Loans	(901.0)	(642.5)	(953.7)	(902.0)	(940.0)	(923.0)	(720.0)	0.0	[illegible]
Resource Cons. & Develop. (RC&D) Loans	(1.0)	(2.0)	0.9	1.2	4.0	0.5	0.0	0.0	[illegible]
SCS									
RC & D Projects	32.0	34.0	26.5	30.7	26.0	26.3	25.6	11.4	[illegible]
APPALACHIAN REGIONAL COMMISSION									
Total Non-Highway Programs	125.6	119.9	62.1	93.0	49.1	59.3	54.9	4.0	[illegible]
Research, T.A., Other	2.6	1.9	2.0	2.0	2.5	4.0	0.9	0.0	[illegible]
Local Development Districts	5.7	6.0	4.5	4.0	4.0	3.5	3.0	0.0	[illegible]
Jobs & Private Investment	n.a.	n.a.	n.a.	54.0	27.3	20.4	[illegible]	0.0	[illegible]
Distressed Counties Program	n.a.	n.a.	n.a.	15.0	17.6	17.3	[illegible]	0.0	[illegible]
Health Financing Program	n.a.	n.a.	n.a.	8.2	4.1	3.5	0.0	0.0	[illegible]
* $15 million of $25 million is earmarked									
** $1.0 million of $35 Area Dev. earmarked									
DEPARTMENT OF COMMERCE									
EDA									
Planning Grants	33.6	23.9	24.7	27.0	27.0	26.0	27.0	0.0	[illegible]
Public Works	260.7	257.9	129.9	229.9	172.0	156.0	151.0	0.0	[illegible]
Economic Adjustment Grants	55.9	12.6	33.0	33.0	33.0	33.0	15.0	0.0	[illegible]
Technical Assistance	30.7	26.4	7.9	7.5	8.0	8.0	6.0	0.0	[illegible]
Research & Evaluation	4.0	1.7	1.5	1.0	1.0	1.0	1.0	0.0	[illegible]
Direct Loans	116.4	54.1	0.0	17.0	15.0	0.0	0.0	0.0	[illegible]
Loan Guarantees	(425.0)	(425.0)	(150.0)	(20.0)	(150.0)	(150.0)	(150.0)	0.0	[illegible]
Salaries & Expenses	40.0	39.7	25.0	27.6	27.9	28.4	24.9	0.0	[illegible]
REGIONAL DEVELOPMENT (Title V)	109.4	47.7	0.7	0.0	0.0	0.0	0.0	0.0	[illegible]
ENVIRONMENTAL PROTECTION AGENCY									
Construction Grants	4900.0	5100.0	3400.0	2430.0	2435.0	2400.0	2374.0	1800.0	[illegible]
DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Community Services Block Grant(1980-81 CSA)	550.5	542.3	340.3	375.1	348.0	360.1	366.0	0.0	[illegible]
National Health Service Corp.	77.5	92.3	80.4	68.3	65.3	59.7	58.5	47.0	[illegible]
Rural Development Loan Fund	20.0	7.7	0.0	0.0	10.0	0.0	0.0		
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Comm. Dev. Block Grant (CDBG)(30% rural)	3862.0	3694.6	3456.0	4456.0	3468.0	3468.0	3124.0	3124.0	[illegible]
Urban Dev. Action Grant (UDAG)(25% rural)	675.0	675.0	473.7	440.0	440.0	440.0	330.0	0.0	[illegible]
Rehabilitation Loans (312)	214.0	130.3	49.9	40.9	130.1	0.0	0.0	0.0	[illegible]

Table 3 (continued)

FEDERAL BUDGET COMPARISON, FY80-86, RURAL PROGRAMS

DEPARTMENT OF INTERIOR									
State Outdoor Rec. (LWCF) Grants	318.5	293.5	[illegible]	112.2	115.2	102.4	52.0	0.0	[illegible]
State Historic Preservation Grants	3.0	51.7	23.3	46.9	22.0	21.1	20.5	0.0	-12.[illegible]
Payment in Lieu of Taxes	100.0	100.0	91.3	96.1	105.0	102.9	105.0	105.0	0.0
DEPARTMENT OF LABOR									
JTPA State Block Grant (1980 CETA)	3342.0	n.a.	n.a	2179.3	[illegible]	1886.2	1863.2	1800.0	[illegible]
Summer Youth (1980 CETA)	2330.5	n.a.	n.a	824.2	824.5	824.5	664.5	664.5	0.0
Dislocated Worker (1980 Trade Adj. Asst.)	1664.4	n.a.	n.a	110.0	262.7	233.3	100.0	100.0	0.0
Comm. Service Empl. for Older Amer.	266.9	277.1	282.0	319.5	317.3	326.0	326.0	326.0	0.0
SMALL BUSINESS ADMINISTRATION									
503 Cert. Development Co. Loans	([illegible])	(100.0)	(150.0)	(220.0)	(350.0)	(450.0)	400.0	0.0	[illegible]
Small Bus. Investment Co. Loans	140.0	160.0	134.1	159.9	250.0	236.0	250.0	0.0	-250.0
Minority Ent. SBIC Loan (Direct)	32.5	41.2	27.3	25.7	41.0	41.0	41.0	0.0	-41.0
General Business Loans (Guaranteed)	(3000.0)	(2904.7)	(1516.5)	(2096.6)	(2620.0)	(2660.0)	(2650.0)	0.0	0.0
General Business Loans (Direct)	218.7	205.1	114.0	85.5	100.3	100.0	0.0	0.0	0.0
Handicapped Loans (Guaranteed)	(0.3)	(1.7)	(0.0)	(1.6)	(5.0)	(5.0)	(5.0)	0.0	0.0
Handicapped Loans (Direct)	19.9	25.0	13.1	14.9	20.0	24.0	15.0	0.0	-15.0
Economic Opportunity Loans (Guaranteed)	(24.5)	(20.6)	(13.4)	(20.5)	(60.0)	(60.0)	(60.0)	0.0	0.0
Economic Opportunity Loans (Direct)	63.2	49.0	21.0	16.5	45.0	45.0	25.0	0.0	-25.0
Energy Loans (Guaranteed)	(11.3)	(7.3)	(1.3)	(3.2)	(15.0)	(15.0)	(15.0)	0.0	[illegible]
Energy Loans (Direct)	14.4	6.7	1.2	2.4	3.0	0.0	0.0	0.0	[illegible]
Veterans Loans (Direct)	0.0	0.0	0.0	5.4	25.0	25.0	10.0	0.0	-10.0
Management Assistance	20.1	19.5	29.4	33.1	39.5	39.1	17.4		-17.4
Sec. 501 Program	0.0	0.0	0.0	0.0	0.0	5.0	0.0	0.0	[illegible]
SBDC Program	[illegible]	[illegible]	11.6	15.4	20.5	29.5	[illegible]		[illegible]
Sec. 502 Dev. Company Loans (Direct)	44.7	6.0	0.0	0.0	0.0	0.0	0.0	0.0	[illegible]
TENNESSEE VALLEY AUTHORITY									
Economic & Comm. Resources	12.4	11.2	16.0	13.1	10.0	11.5	14.0	0.0	[illegible]
DEPARTMENT OF TRANSPORTATION									
Local Rail Service Assistance	52.6	47.4	39.0	22.0	25.2	13.2	20.2	0.0	-20.[illegible]
Sec. 18 Mass Transit Grants (100 % rural)	57.1	73.2	74.3	77.2	79.2	81.5	63.0	*	-63.0
Aircraft Purchase Loans	(550.0)	(427.0)	(201.5)	(102.5)	(3.7)	0.0	0.0	0.0	0.0
Appalachian Highway Systems	229.7	218.2	107.6	115.1	112.0	104.3	55.0	0.0	-55.0
Secondary (Rural) Highway System	772.9	643.1	387.0	602.3	520.0	520.0	650.0	*	-650.0
Payments to Air Carriers(Local Air Service)	95.0	114.5	86.1	52.1	46.3	46.3	25.0	0.0	-26.0
DEPARTMENT OF TREASURY									
General Revenue Sharing	6854.9	4569.9	4566.7	4566.7	4566.7	4566.7	4200.0	0.0	[illegible]

NOTES: (1) Brackets <> indicate Loan Guarantee Authority (e.g., EDA Loan Guarantees)
(2) n.a. indicates not applicable or not available.
(3) The Comprehensive Employment and Training Act preceded JTPA.

Source: National Association of Development Organizations
March 10, 1986

As can be seen from Table 3, these cuts in appropriations and loan authority amount to billions of dollars a year in service reductions. Rural areas receive a significant part of these federal benefits (e.g., about 30 percent of Community Development Block Grants), and cuts in rural programs have been as significant as the more visible drop in federal support for cities.[25]

Potentially more serious is the FY 1987 column of Table 3, showing further cuts, in many cases even more substantial than past reductions, proposed in the Administration's FY 1987 budget. Fortunately the Congress is unlikely to accept many of these cuts. Revenue sharing (GRS), for example, is a program with major benefits to rural areas that has been the subject of concerted efforts to continue funding.

Another way to examine federal support for rural areas is to look at programs for smaller governments -- the 36,000 rural towns, townships, municipalities and counties with populations under 25,000. While some smaller governments are in urban areas, most are not. Economists estimate that federal aid to these smaller governments has dropped 24 percent between FY 1980 and FY 1985. Indeed, since all of these figures are in current dollars and don't include inflation, they understate the impact of these cuts.

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[25] National Association of Development Organizations, The 1987 Budget and Rural Economic Development: How Will We Fill the Gap? (March 10, 1986).

Five programs account for an estimated 85 percent of federal aid currently received by smaller local governments.[26/] Of these, General Revenue Sharing is by far the most important. In FY 1985, GRS distributed over $1 billion to the 36,000 small governments. Often GRS was the only federal aid these localities received. The Administration has refused to renew GRS. As discussed below, this would cause significant adverse effects for communities already struggling to cope with the farm crisis.

Community Development Block Grants (CDBGs) are administered by the U.S. Department of Housing and Urban Development. In FY 1985, CDBG funds provided about $883 million to 3,000 small governments. The Administration would like to reduce CDBG funds by about half a billion dollars in FY 1987, but is unlikely to convince Congress to enact such deep cuts.

The Environmental Protection Agency provides wastewater construction grants to help localities meet federal clean water requirements. In FY 1985, EPA allocated about $800 million to small governments. The Administration has

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[26/] This discussion relies heavily upon Alvin D. Sokolow, Small Governments and the FY 1987 Budget, National Center for Small Communities. (Discussion Draft, April 8, 1986).

proposed terminating this EPA funding by 1990, with a four-year phaseout.

The Farmers Home Administration (FmHA) provides a number of loan and grant programs (See Table 3), for water, wastewater and community facilities. In FY 1985, these FmHA programs provided $455 million in loans and $130 million in grants to about 1,300 rural governments (generally those under 10,000 in population). The Administration has proposed termination of virtually all of these FmHA programs, although Congress is unlikely to agree.

Finally, the Economic Development Administration (EDA) provides public works grants to state and local governments. In FY 1985, EDA provided about $90 million to 110 small governments for infrastructure improvements. The Administration is seeking to terminate these EDA public works grants.

The National Center for Small Communities has published an estimate that the Administration proposals would decrease federal aid in FY 1987 for small local governments by 58 percent. This would mean a drop in support from an estimated $4 billion to $1.6 billion annually. While these estimates are high, based upon imprecise data available about rural benefits of some programs, they show the increased burden on rural communities if federal support were indeed withdrawn.[27]

B. The Impact on Farm Counties of Eliminating Revenue Sharing

The major program benefiting rural communities is General Revenue Sharing. With the large-scale cuts taking place annually in federal support for states and localities, GRS becomes especially important. As a source of unrestricted funds, GRS at least enables communities to allocate scarce federal dollars where they are needed. Because termination or curtailment of GRS would cause special hardships for localities struggling with the farm crisis, it deserves more detailed examination.

For fiscal 1986, GRS will provide $912.1 million to all general purpose governments, rural and urban, in the fifteen farm states included in this study. In the years since the beginning of revenue sharing in 1972, through the 1986 payments, general revenue sharing will have provided a total of over $19 billion to the fifteen states. (See Table 4.)

Because General Revenue Sharing is one of the few

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[27] Regrettably, current statistical information about rural communities is often unavailable. For a discussion of these gaps, see Thomas F. Stinson, "Fiscal Status of Local Governments", pp. 736-737, and Olaf F. Larson, "Agriculture and the Community", pp. 147-148, in Non-Metropolitan America in Transition, op. cit.

TABLE 4

GRS Support to Farm States

State	1986 GRS Allocation to Local Governments (In $ millions)	1972-1986 Total GRS Payments* (In $ millions)	GRS as a % of Total Adjuste Taxes of County Governments
North Dakota	$ 11.2 million	$ 252 million	13.9%
Nebraska	25.7	550	10.1%
South Dakota	12.5	299	10.8%
Iowa	49.3	1,049	8.1%
Montana	16.9	324	11.2%
Minnesota	78.7	1,636	9.3%
Arkansas	40.2	840	29.7%
Kansas	34.7	739	6.4%
Idaho	17.1	325	17.8%
Missouri	68.4	1,514	8.0%
Colorado	48.0	1,063	6.1%
Kentucky	63.2	1,156	21.2%
Illinois	182.5	4,088	6.5%
Texas	210.7	4,177	6.5%
Mississippi	53.0	1,216	22.4%
Fifteen State Total	$912.1 million	$19,228 million	

* Through FY 1980, GRS provided funds for state governments as well as localities.

Source: U.S. Treasury Department, Office of Revenue Sharing federal grant programs smaller communities receive, its elimination will hit farming communities particularly hard. On average, while GRS constituted 21.8% of federal aid to general purpose localities, revenue sharing constituted 44.5% of federal aid received by general purpose localities in farm-dependent areas. Table 5 shows GRS as a percent of all federal aid received by communities in 1982 for the ten states studied by the Senate Subcommittee on Intergovernmental Relations. (All but one of the ten states is included in the ranking fifteen states in the present study.) It can be seen in Table 5 that, while GRS ranges between 18.7% and 32.2% of all federal aid received by non-agricultural communities in the ten states, proportions are much higher for agricultural communities. In 1982, General Revenue Sharing ranged between 29.4% and 67.8% of all federal aid provided to agricultural communities in the ten states studied by the Subcommittee.

TABLE 5

GRS Is Especially Important For Farm Communities

State	GRS As % of All Federal Aid, 1982
North Dakota	
Non-agricultural communities	20.6
Agricultural communities	38.6
Iowa	
Non-agricultural	25.8
Agricultural	46.6
Nebraska	
Non-agricultural	22.6
Agricultural	49.3
Arkansas	
Non-agricultural	29.9
Agricultural	29.4
Kansas	
Non-agricultural	24.1
Agricultural	51.3
Georgia	
Non-agricultural	21.2
Agricultural	54.1
Minnesota	
Non-agricultural	22.4
Agricultural	42.2
Mississippi	
Non-agricultural	32.2
Agricultural	67.8
Missouri	
Non-agricultural	18.7
Agricultural	32.1
Montana	
Non-agricultural	23.9
Agricultural	33.4

Source: U.S. Senate Subcommittee on Intergovernmental Relations, Congressional Record, April 22, 1986, p. S4697 (Statement of Senator Durenberger).

GRS also represents a large amount in relation to the tax revenues of those communities. In FY 1985 (as shown in Table 4, above), GRS provided money amounting to over 10% of the average county tax revenues in eight of the fifteen ranking states in the present study: Arkansas (29.7%), Mississippi (22.4%), Kentucky (21.2%), Idaho (17.8%), North Dakota (13.9%), Montana (11.2%), South Dakota (10.8%), and Nebraska (10.1%). These averages are significantly higher than the national average for all counties in the United States (8.3%).

There is another way to look at the impact on farm communities if revenue sharing is eliminated. Table 6 (again using FY 1985 GRS levels) presents a state-by-state impact of eliminating revenue sharing under two scenarios: either localities raise property taxes to make up the loss or they cut services across-the-board to make up the loss. Once again, the impact on farm states seems to be significantly higher than the impact on the average state. Local governments in the states listed (not counting special districts such as school districts) would have to raise their property taxes by over 10% in eleven of the fifteen states: Arkansas (46.23%), Kentucky (37.01%), Missouri (24.08%), Mississippi (21.22%), Idaho (17.28%), South Dakota

(13.97%), North Dakota (13.29%), Colorado (12.05%), Illinois (11.78%) and Nebraska (11.41%). This compares to a lower national average (9.2%).

TABLE 6

STATE-BY-STATE IMPACT OF ELIMINATING GENERAL REVENUE SHARING UNDER TWO SCENARIOS

State	RAISE PROPERTY TAXES TO MAKE UP LOSS	OR	ACROSS-THE-BOARD REDUCTION LOCAL SERVICES TO MAKE UP LOSS		
	Percent Increase in Local Government Property Tax, Excluding Special Districts	Reduction of Police Officers	Reduction of Fire Fighters	Reduction of Human Service Workers	Reduction of Street Maintenance Workers
Arkansas	46.23 %	282	113	25	610
Colorado	12.05	229	71	376	381
Idaho	17.28	123	38	28	126
Illinois	11.78	1,267	459	682	1,277
Iowa	7.53	183	86	186	622
Kansas	7.54	151	63	24	423
Kentucky	37.01	404	211	72	496
Minnesota	9.31	216	87	956	659
Mississippi	21.22	253	122	151	1,007
Missouri	24.08	504	159	32	651
Montana	6.69	79	26	70	193
Nebraska	11.41	124	50	87	461
North Dakota	13.29	56	17	45	209
South Dakota	13.[illegible]	78	30	38	298
Texas	8.47	1,177	539	123	1,843
Total For All States	9.20 %	18,494	8,150	20,220	26,065

Source: National Coalition to Save General Revenue Sharing, "Everyone Shares in General Revenue Sharing," Table 4.

Note: Calculations based on data provided in Bureau of the Census, Governmental Finance in 1983-1984, and Public Employment in 1984.

Alternatively, if services were cut across-the-board, eliminating GRS would force the elimination of thousands of police officers, fire fighters, human service workers, and street maintenance workers. Pat Vuchetich, of the Nebraska Association of Counties, predicts that in his state human services, especially discretionary programs in areas such as community development, senior citizen assistance, and other "selective" services, will be the most vulnerable to cuts. In Edmunds County, South Dakota, County Auditor Irene Rissman reports that without revenue sharing the county might well be forced to eliminate its senior citizens programs altogether. Programs such as these have provided critical support as the farm crisis takes its toll on rural communities and families.

For other counties, the elimination of GRS will force drastic cutbacks in capital outlays. In a survey of Missouri localities conducted by the Missouri Municipal League, 34% of the respondents indicated that without revenue sharing they would have to reduce capital expenditures, extending the use of equipment beyond its normal economic life, and deferring capital improvements. For many rural counties, this will mean fewer funds for road construction and repair. In Pine County, Minnesota, for example, GRS funds have helped the county cope with the deterioration of county roads. Director of Human Services

Robert Wald reports "the probability of shifting funds (to make up for lost revenue sharing funds) is doubtful." Officials in Howard and Frontier counties in Nebraska, and Benton, Monroe, and Lamar counties in Mississippi, also predict that the loss of revenue sharing will force cutbacks in roadwork. In Madison County, Montana, Administrative Assistant Dale Kelley predicts similar effects, insisting the county "is absolutely not able to transfer funds; there are no other sources."

Some counties will have to cut operating expenditures. In Ballard County, Kentucky, for example, revenue sharing represents an amount equal to almost one-fifth of the County's tax revenues, helping fund police protection, solid waste disposal, senior citizens programs and welfare programs. Hard hit by farm foreclosures and tax delinquencies, the county and its general fund are already "stretched to the limit", according to Court Clerk Mary Dunn, and cannot absorb these programs. Without revenue sharing the county will therefore have to make deep cuts. In Schuyler County, Missouri, County Clerk Judy Closkey reports that "because there is no place to transfer funds from, there definitely will be cuts in law enforcement." Ozark County, Missouri, will have to take similar steps. County Clerk Dallas Herd predicts, "Two of three positions in the sheriff's department may be abolished . . . I don't see a way in the world we could pay for the deputies with other funds. We just don't have it." Officials in Mercer County, Missouri, predict that without revenue sharing funds the county will be forced to drop its cooperative extension program. In Yazoo County, Mississippi, Chancery Clerk Catherine Prewitt predicts that elimination of GRS will force the county to discontinue the rural garbage pickup and ambulance services currently funded by the program.

In short, the withdrawal of revenue sharing funds will hurt farm communities at a time when they can't take up the slack. Beset by declining economies and their own shrinking revenue bases, farm communities will be forced to pare services needed by their citizens. For the national government, with its record trillion dollar FY 1987 budget, to claim "We have no revenue to share"[28] is to undercut the financial basis of mutual support farm communities rightfully expect of our federal system.

---

[28] Treasury Secretary James Baker. [cite]

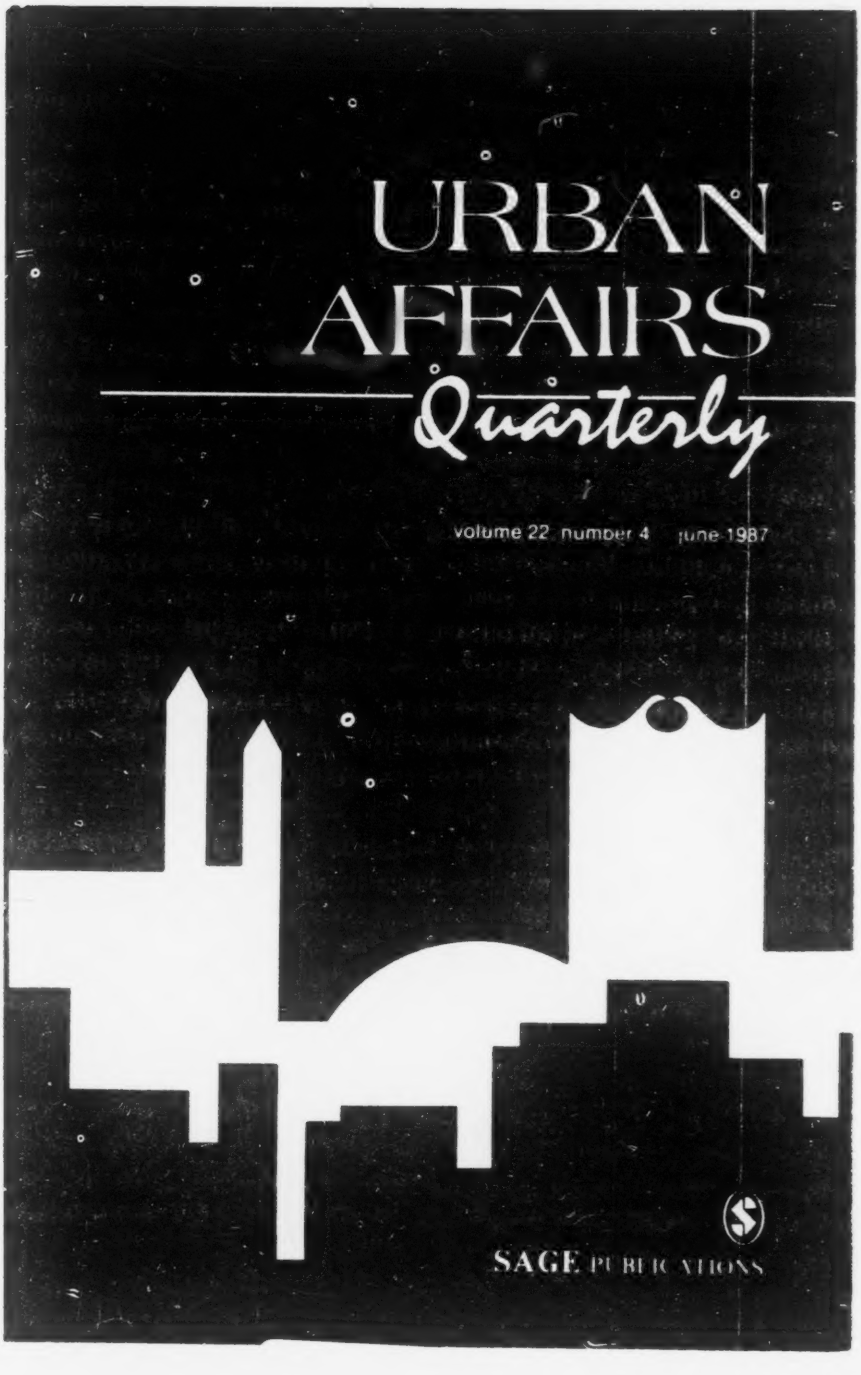
VI. Conclusion

Today's farm problems are producing a long-term economic restructuring of American agriculture. Its impact on local governments will be severe. Declining farm property values can turn into declining local property tax revenues, and declining farm incomes mean declining state tax revenues and the potential for restriction on state aid to localities. Even while revenues are dropping, the demand is increasing for services to support families thrown into economic disarray by the farm crisis.

Each federal program serving rural America has its significant function. EPA Wastewater Construction Grants are intended to help localities meet standards mandated by federal clean water legislation; Community Development Block Grants are awarded on a competitive basis to help communities improve low- and moderate-income areas; Farmers Home Administration programs are intended to help rural areas cope with the disadvantages of small scale and dispersed populations requiring essential services; and public works grants are intended to stimulate local employment through infrastructure improvements. Finally, General Revenue Sharing serves as a cushion that protects states and localities against fluctuations in their tax bases in the course of economic cycles. Because of its unrestricted nature, GRS is especially important to help localities retain the highest priority services being abandoned by the federal government.

Each of these purposes is especially important today, when economic adversity has dislocated communities so severely. When states and localities are unable to assure prompt recovery, sound public policy would call for an increasing federal role. Instead, removing General Revenue Sharing and other programs would take away the federal cushion just when localities most require it. By limiting revenue sharing and the other public programs, Washington would be removing much of its support, and would thereby assure that the federal government increases rather than alleviates the hardship of thousands of farm communities.

This report was written by Thomas H. Stanton for the National Association of Counties. Mr. Stanton is a graduate of the University of California at Davis, a land-grant institution. He has his M.A. from Yale University and his J.D. from the Harvard Law School. The author wishes to thank the NACO staff and especially James Golden for reviewing the report and helping compile statistical data. In addition, four outside reviewers contributed generously of their time and insights: Susannah E. Calkins, Senior Analyst, Advisory Commission on Intergovernmental Relations; Dr. Timothy J. Conlan, Assistant Director, Senate Subcommittee on Intergovernmental Relations; Professor Alvin D. Sokolow, Department of Political Science, University of California at Davis; and Professor Thomas Stinson, Department of Agricultural and Applied Economics, University of Minnesota. Final responsibility for the report and its contents rests with the author.



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THE RICH GET RICHER
The Attenuation of Targeting Effects of the Community Development Block Grant Program

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This article discusses how the Community Development Block grant targeting policy adopted in 1977 has changed to the disadvantage of needier communities as the result of continuing demographic changes, reflected in the 1980 census, and through expansion in the number of entitlement communities, many of them small, relatively well-off cities. We also present several options available to policymakers for altering the current block grant allocation system that results in a greater targeting of funds to distressed communities.

Targeting federal aid was the "in" policy of the late 1970s, at least in discussions of alternative policies for the allocation of federal dollars to the neediest communities. Rhetorically and politically, use of the term peaked in President Carter's urban policy statement of March 1978, which was generously sprinkled with the word (President's Urban and Regional Policy Group, 1978). Operationally, the high-water mark of targeting was probably congressional adoption in 1977 of a dual formula for the Community Development Block Grant Program (CDBG) to shift a greater share of funds from better-off communities to the older, declining industrial centers of the Northeast and Midwest. Legislative efforts for better targeting were less successful for programs of the Economic Development Administration and the Law Enforcement Assistance Administration, and for a proposed program of countercyclical fiscal assistance to supplement communities' general revenue-sharing allocations.

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In this study we discuss how the CDBG targeting policy adopted in 1977 has changed to the disadvantage of needier communities as the result of continuing demographic changes, reflected in the 1980 census, and through expansion in the number of entitlement communities, many of them small, relatively better-off communities. We also present several options available to policymakers for altering the block grant allocation system to restore some of the intended targeting effects of the 1977 formula change.

BACKGROUND

When the CDBG allocation system was originally designed in 1971 by the Nixon administration as special revenue sharing, it combined elements of both a distributive policy and a targeting policy. The proposal contained distributive policy in the suggestion for giving an entitlement to every central city of a metropolitan area and to all suburban cities with over 50,000 population, whether their economic and demographic conditions warranted assistance or not. A total of 445 cities were to have an entitlement under the 1971 proposal.

This distributive approach carried over into the formula itself by including population as one of the factors (a weight of 25%) used to determine the level of funding of individual communities. Targeting was structured into the proposed formula through the use of poverty (weighted 50%) and overcrowded housing (weighted 25%). Communities with greater needs, as measured by their incidence of poverty and overcrowded housing, would receive larger allocations than less needy places.

The CDBG program finally enacted in 1974 followed substantially the original Nixon proposal, with an important distributive element added by Congress during its consideration of the legislation: the inclusion of populous urban counties as entitlement jurisdictions, a move designed to make the program more appealing politically to suburban representatives in Congress. The Department of Housing and Urban Development (HUD) estimated initially that only about a dozen counties would actually participate in the program. However, a total of 73 counties qualified and participated in the first year of the program. By the time the program went into effect at the beginning of 1975, the total number of entitlement jurisdictions had expanded to 590.

The net result of the CDBG allocation system was a greater spreading of funds through formula entitlements (compared with the discretionary grants of urban renewal and model cities that were consolidated into the new program) with some targeting resulting from the poverty and overcrowded housing formula elements. Congress itself was ambivalent about the distributional effects of the CDBG allocation system and provided in the legislation that a study be made of the new funding system. In an analysis done at the Brookings Institution soon after the program started, researchers concluded that there were serious flaws in the formula enacted and proposed major changes in the system (Nathan et al., 1977: chaps. 3-6; Dommel et al., 1982: chaps. 2, 9).

The Brookings study pointed out that the formula was too poverty-oriented and failed to take into account two important dimensions of urban distress—loss of population and deteriorating capital infrastructure—that placed a heavy burden on a city's fiscal ability to meet its developmental needs. To remedy the distributional flaws of the block grant program, the study recommended that the allocation system be changed to include the amount of housing built before 1940 as a proxy measure of community age and deteriorating infrastructure. A second major change recommended was the establishment of a dual formula system that retained the original poverty-oriented formula and added a second formula incorporating the pre-1940 housing factor in place of overcrowded housing (DeLeon and LeGates, 1978: 24-30). Under the dual formula each entitlement community would receive the larger of the two amounts computed under the two formulas. Thus it was a system of "no losers."

An important modification proposed to Congress by the Carter administration was changing the population measure to a growth-lag factor to take into account both population loss and slow growth.[1] The formula system adopted by Congress in 1977 retained the original formula and added a second formula that included pre-1940 housing (weighted 50%), poverty (30%), and growth lag (20%).

Despite the "no loser" provisions of the dual formula, the House of Representatives was sharply split by region over the new allocation system. By adding more funds to the program, all regions were to receive some increase in the *amount* of funds, but the dual formula boosted the *share* of money going to entitlement communities in the Northeast and Midwest. On an amendment proposed by two Democratic members from California to delete the dual formula provision, eastern and midwestern members of Congress voted 215 to 8 to keep it, whereas southern and western members voted 132 to 18 to eliminate it (*Congressional Record*, 1977: 14114).

Overall, the entitlement jurisdictions of the Northeast and Midwest increased their share of program funds from 49% under the original system to 59% under the dual formula. The central city share increased to 52%. The big losers were the small metropolitan communities (with populations under 50,000) that would have received 28% of all metropolitan funds through discretionary grants administered by HUD if the original system had been fully implemented; their share dropped to less than 10%.

Over the decade following its adoption the dual formula did not change, but the targeting impacts of the CDBG formula allocation system were weakened by the introduction of new population and housing data made available by the 1980 census and the addition of new, but less needy, entitlement communities. Moreover, the amount of funds received by the needier communities was adversely affected by a decrease in the share of funds allocated to metropolitan areas and an overall reduction in total funds provided.

The total amount of funds appropriated for the CDBG program increased in each of the program's first six years, rising from $2.5 billion in 1975 to $3.8 billion in 1980, the peak year (Table 1). In fiscal 1981 funds were reduced by 5.4% from the previous year, and in fiscal 1982 funds were cut another 5.4% as the total CDBG appropriation declined to $3.4 billion. Funding remained at about this level through fiscal 1985.

In 1981 legislation was passed to transfer HUD-controlled discretionary funds for small communities to the states to administer as a small cities block grant program. At the same time, the share for small communities was increased from 20% to 30%. This policy change *doubled the rate of decline* in CDBG allocations among entitlement communities between 1981 and 1982. While total CDBG funds declined by 5.4% in 1982, the amount of entitlement funds declined by 10.8% because of the overall reduction in total appropriations and the smaller share earmarked for entitlement jurisdictions.

The discussion now turns to the central question of any distribution analysis—How do you measure need?—and the targeting of CDBG funding on that need.

URBAN DISTRESS AND CDBG FUNDING

One of the most difficult and controversial issues in allocating funds for a needs-based program is how to define need. The closest analogy is

TABLE 1

Community Development Block Grant Program Allocations, 1975-1985 (dollar amounts in millions)

	Total CDBG		Entitlement Cities*		Metro Cities		Urban Counties	
Year	Dollars	Percent Change	Dollars	Percent Change	Dollars	Percent Change	Dollars	Percent Change
1975	2500	---	1776	---	1657	---	119	---
1976	2752	10.1	1927	8.5	1718	3.7	209	75.6
1977	3148	14.4	2246	16.6	1917	11.6	329	57.4
1978	3500	11.2	2533	12.8	2161	12.7	372	13.1
1979	3650	4.3	2625	3.6	2209	2.2	416	11.8
1980	3800	4.1	2749	4.7	2295	3.9	454	9.1
1981	3593	-5.4	2667	-3.0	2222	-3.2	445	-2.0
1982	3400	-5.4	2379	-10.8	1965	-11.6	414	-7.0
1983	3300	-2.9	2380	.0	1954	-.6	426	2.9
1984	3300	0.0	2379	.0	1949	-.3	430	.9
1985	3412	3.4	2389	.4	1954	.3	435	1.2

SOURCE: U.S. Department of Housing and Urban Development, Office of Community Planning and Development, **Community Development Block Grant Program Directory of Allocations** (1975-1980, 1980-1985).

*Includes urban counties, central cities, and suburban cities over 50,000 population.

the eternal search for the philosopher's stone and, as such, the search never ends. Richard P. Nathan has noted, "It's not hard to design a formula based on need. There are an infinite number of possibilities but you have to start with an essentially political decision: What dimension of need do you care about?" (Stanfield, 1978: 1977). As pointed out earlier, it was decided in 1977 with the adoption of the dual formula for the CDBG program that the heavy poverty tilt of the original 1974 formula system did not adequately measure some of the other dimensions of local development needs.

During the past decade, urban analysts, including those with HUD, have developed a variety of measures of urban hardship (for example, see Nathan and Adams, 1976; Nathan et al., 1977; Dommel et al., 1978; U.S. Congressional Budget Office, 1978; Bunce and Goldberg, 1979a; Nathan and Dommel, 1981). What emerges from these diverse approaches is a great deal of convergent validity because the same cities tend to rank at the top of the list of the most distressed places regardless of which index is used. Researchers at the Center for Urban Policy Research at Rutgers University (Burchell et al., 1981: 224) recently compared the rankings of cities on several hardships indices and concluded that

> the urban distress measures have a *high level of consistency* in ranking the hardship of a common set of cities. Despite differences in their variable selection/expression and statistical treatment, the distress measures are *similar in their practical operation or throughout, namely the ordering of urban distress*. City hardship therefore appears to be largely *independent* of the mechanism from which it is determined [emphasis in original].

Using the 814 entitlement communities in 1985 as the base sample for our analysis, we reconstructed the composite urban conditions index used in the earlier Brookings study of the CDBG program (Dommel et al., 1978: chap. 2) to compare the relative needs of CDBG entitlement jurisdictions. The index is based on the percentage of housing units built before 1940, percentage of persons with income below the poverty level, and percentage of population change. In reconstructing the index, two sets of index scores were computed, one based on 1970 census data and the other on 1980 census data, although missing data for some communities prevented the calculation of needs scores for all 814 jurisdictions at both points in time. The index mean was standardized at 100, with those jurisdictions scoring above 100 being relatively more distressed than those jurisdictions scoring below 100.[2] Communities were then grouped into quintiles based on their index scores, with those cities in the first quintile ranking as the relatively most distressed and those in the fifth quintile as the least distressed.[3] Table 2 shows the distribution of distress by population size, region, and type of jurisdiction for the first and fifth quintiles.

For both 1970 and 1980 the most distressed entitlement communities generally are found to be either the very large or very small places. Medium-sized jurisdictions are found much less frequently in the most distressed quintile and more frequently in the least distressed quintile. The Northeast and North Central regions have the greatest share of the most distressed places, and the proportion of communities in these two regions that rank among the most distressed (quintile one) increased between 1970 and 1980. Conversely, more than one-third of western communities rank in the least distressed quintile, and that proportion increased slightly over the 10-year period; fewer than 5% of the entitlement communities of the West fall into the most distressed category. It should also be noted that slightly more than one-fourth of all central cities are in the most distressed category for both the 1970 and 1980 rankings, whereas fewer than 10% of all suburban cities fall within the most distressed quintile. Urban counties, which are primarily aggregations of small suburban municipalities, are even better off, with fewer than 2% among the most distressed entitlement jurisdictions.

Moreover, as shown in Table 3, conditions in the nation's most distressed entitlement jurisdictions have worsened in the past decade. Those communities that ranked as the most distressed in 1980 showed a substantial increase in their average index score over the past decade, whereas the average needs score for entitlement jurisdictions in the other four quintiles declined during this same period. Further, when one compares the incidence of urban hardship as measured by a variety of single indicators for the most distressed places with other communities, their incidence of distress is generally higher, and the direction of change over the past decade indicates that their needs have increased. Those jurisdictions in the better-off quintiles have both lower levels and a declining incidence of need.

Thus, although conditions in many entitlement communities improved over the past decade, the nation's most distressed communities showed evidence of continued decline in both absolute and relative terms. However, as we will demonstrate, the flow of CDBG funds has not tracked these patterns of change in the incidence of urban hardship.

TABLE 2

Distribution of Most and Least Distressed Jurisdictions, Urban Conditions Index, 1970 and 1980, by Population Size, Region, and Type of Jurisdiction

		Urban Conditions Index, 1970					Urban Conditions Index, 1980			
		Most Distressed		Least Distressed			Most Distressed		Least Distressed	
	N	Number	Percent	Number	Percent	N	Number	Percent	Number	Percent
POPULATION SIZE, 1982										
Greater than 1 Million	10	4	40.0	2	20.0	10	4	40.0	1	10.0
500,000 - 1 Million	39	6	15.4	16	41.0	39	7	17.9	14	35.9
250,000 - 499,999	80	10	12.5	18	22.5	81	13	16.0	17	21.0
100,000 - 249,999	160	21	13.1	37	23.1	163	28	17.2	34	20.9
50,000 - 99,999	273	49	17.9	63	23.1	305	52	17.0	77	25.2
25,000 - 49,999	171	52	30.4	15	8.8	173	48	27.7	17	9.8
Less than 25,000	43	13	30.2	4	9.3	43	10	23.3	3	7.0
REGION*										
Northeast	170	71	41.8	5	2.9	197	89	45.2	9	4.6
North Central	201	30	14.9	38	18.9	205	45	22.0	31	15.1
South	217	43	19.8	46	21.2	219	22	10.0	49	22.4
West	176	6	3.4	65	36.9	181	6	3.3	70	38.7
Puerto Rico	12	5	41.7	1	8.3	12	0	0.0	4	33.3
TYPE OF JURISDICTION										
Central Cities	501	142	28.3	40	8.0	504	141	28.0	44	8.7
Suburban Cities	168	11	6.5	73	43.5	203	19	9.4	85	41.9
Urban Counties	107	2	1.9	42	39.3	107	2	1.9	34	31.8

NOTE: N (1970) = 776; N (1980) = 814.

*Classification based on U.S. Bureau of the Census regional divisions.

TABLE 3

Mean Level of Distress Among CDBG Entitlement Jurisdictions on Selected Community Development Need Indicators by Urban Conditions Index Quintiles, 1980

		Urban Conditions Index Quintiles, 1980					
		<-- Worst Off				Best Off -->	
	N	FIRST	SECOND	THIRD	FOURTH	FIFTH	TOTAL
Urban Conditions Index, 1970*	776	271	146	89	38	10	114
Urban Conditions Index, 1980	814	353	138	66	29	7	118
Percent Population Change, 1960-70	808	-3.8	14.8	28.2	44.0	144.2	44.8
Percent Population Change, 1970-80	814	-9.8	.4	8.9	20.2	47.5	13.4
Percent Employment Change, 1967-72**	457	11.1	5.7	8.6	13.1	11.3	9.7
Percent Employment Change, 1972-77	459	-17.4	6.2	19.9	25.9	48.6	10.9
Unemployment Rate, 1970	528	5.6	6.7	7.2	9.6	7.9	7.1
Unemployment Rate, 1980	722	9.3	6.7	6.0	6.1	5.1	6.7
Per Capita Income, 1969	723	3013	3212	3263	3378	3616	3292
Per Capita Income, 1979	627	6360	7243	7409	7802	8851	7438
Net Real Change, 1969-79***	627	184	396	507	589	757	462
Percent Poverty, 1970	814	14.2	14.4	13.5	9.2	8.0	11.9
Percent Poverty, 1980	814	16.9	14.6	13.5	9.0	8.1	12.4
Percent Overcrowded Housing, 1970	734	7.1	7.9	7.8	7.2	7.4	7.5
Percent Overcrowded Housing, 1980	744	4.1	4.3	4.7	5.6	4.0	4.6
Percent Aged Housing, 1970	779	67.6	46.8	32.2	21.1	7.4	35.8
Percent Aged Housing, 1980	814	53.6	32.5	20.8	13.0	3.9	24.8

SOURCES: U.S. Bureau of the Census, censuses of population, housing, manufactures, and retail trade.
*See note 2 for discussion of Urban Conditions Index computation; **change in manufacturing and retail trade employment; ***base year = 1967.

DISTRIBUTION OF DOLLARS

As noted earlier, adoption of the dual formula in 1977 resulted in improved targeting based on community need. The share of funds that would have been allocated to the most distressed communities increased from about one-third (35.4%), if the 1974 single-formula system been retained, to almost half (47.9%) under the dual formula (Table 4). The share of funds allocated under the dual formula to each of the other four quintiles declined by about two to four percentage points from what they would have received under the original formula. Central cities increased their share of block grant funds under the dual formula by about five percentage points, while urban counties experienced the largest decline, and the suburban city share declined slightly. Regionally, the adoption of the dual formula principally benefited those jurisdictions in the Northeast and North Central regions because these two regions increased their share of block grant funds from 47.6% under the original formula to 57% under the dual formula.

Our analysis of the distribution of CDBG entitlement funds during the period 1980-1985 shows that the increased targeting impacts obtained by the adoption of the dual formula in 1977 have not been sustained. The share of CDBG funds allocated to the most distressed places—those entitlement communities that rank in the first quintile on the urban conditions index—has declined steadily in each of the last five years, falling from 48.2% in 1980 to 44.4% in 1985.

However, as shown in Table 5, 11% (72 communities) of the entitlement jurisdictions funded in 1980 received *larger* block grant allocations in 1985, despite an overall decline of 13% in total funding for entitlement communities during this same period. Of these gainers, almost 70% ranked within the two *least distressed* quintiles, as measured by the 1980 urban conditions index. More than half of these communities were located in the West and about half were suburban jurisdictions (suburban cities of urban counties).

Table 6 shows the top winners and losers measured by net change in CDBG entitlements between 1980 and 1985, and provides further support for the thesis that the rich are getting richer. The data show that those communities with larger entitlements in 1985 were relatively well-off places. Only 2 (Los Angeles and Miami) of the top 15 entitlement communities with larger CDBG allocations in 1985 than 1980 have urban conditions index scores above the standardized mean of 100 in both 1970 and 1980, and Los Angeles is only slightly above the mean. In

TABLE 4
Distributional Impacts of the Dual Formula by Level of Distress, Region, and Type of Jurisdiction (dollar amounts in millions)

		FY 1981 Grant Under Original Formula		FY 1981 Grant Under Dual Formula	
	N	Dollars	Percent	Dollars	Percent
TOTAL	666	1,998.3	100.0	2,657.0	100.0
LEVEL OF DISTRESS <Urban Conditions Index Quintiles>					
First	142	708.2	35.4	1,271.5	47.9
Second	130	354.1	17.7	420.0	15.8
Third	135	311.0	15.6	337.1	12.7
Fourth	129	373.1	18.7	375.5	14.1
Fifth	130	252.0	12.6	252.9	9.5
REGION					
Northeast	163	505.8	25.3	832.1	31.3
North Central	173	446.1	22.3	683.5	25.7
South	179	572.6	28.7	620.6	23.4
West	143	411.4	20.6	458.4	17.3
Puerto Rico	8	62.4	3.1	62.4	2.3
TYPE OF JURISDICTION					
Central Cities	400	1,391.8	69.6	1,971.1	74.2
Suburban Cities	182	193.1	9.7	249.5	9.4
Urban Counties	84	413.5	20.7	436.5	16.4

SOURCE: Calculations based on data from U.S. Department of Housing and Urban Development, Office of Community Planning and Development, Division of Data Systems and Statistics.
NOTE: Totals may not add due to rounding.

contrast, those communities that have sustained the largest reductions in CDBG funding between 1980 and 1985 ranked among the most distressed communities; all have urban conditions index scores substantially above the mean, and only Memphis has an index score below 200 in both 1970 and 1980.

Thus the data suggest that the block grant program has become less responsive to community need. Indeed, as Table 7 shows, whether one examines the proportion of block grant funds allocated to those jurisdictions that rank as the most distressed or the ratio of mean per capita CDBG allocations between the most distressed and least

TABLE 5
Distribution of Entitlement Jurisdictions with Increased CDBG Allocations, 1980-1985, by level of Distress, Type of Jurisdiction, and Region

	N	Number Gaining	Percent Gaining	Percent of Gainers
TOTAL	657	72	11.0	100.0
LEVEL OF DISTRESS <URBAN CONDITIONS INDEX QUINTILES>				
First (Most Distressed)	143	2	1.4	2.8
Second	129	6	4.7	8.3
Third	134	14	10.4	19.4
Fourth	125	16	12.8	22.2
Fifth (Least Distressed)	126	34	27.0	47.2
TYPE OF JURISDICTION				
Central Cities	392	33	8.4	45.8
Suburban Cities	180	31	17.2	43.1
Urban Counties	85	8	9.4	11.1
REGION				
Northeast	162	7	4.3	9.7
North Central	171	6	3.5	8.3
South	175	18	10.3	25.0
West	141	39	27.7	54.2
Puerto Rico	8	2	25.0	2.8

SOURCE: See source note, Table 4.
NOTE: Analysis includes only those jurisdictions that received entitlement allocations in both 1980 and 1985.

distressed quintiles, both measures of the extent of targeting have declined since 1980. These findings are consistent whether one uses the urban conditions index developed for this analysis or the index of community development need developed by HUD analysts as the benchmark for assessing urban hardship.[4]

Although at first glance the CDBG program appears to be a relatively easy program for which to assess its distributional impacts, a closer look reveals a fairly complex allocational system that can be affected by many parameters. These include (1) the national distribution of funds between entitlement and nonentitlement communities; (2) the formula elements and the weights attached to each element; (3) changes in an individual jurisdiction's formula element values brought about by new and updated census data; (4) the share of funds allocated by each formula; and (5) the number of entitlement communities. Also affecting the distributional impacts of CDBG funding are changes in the total amount of funds appropriated for the program.

TABLE 6

Change in CDBG Entitlement Allocations, 1980-1985: Top Winners and Losers (dollar amounts in thousands)

City	Urban Conditions Index 1970	Urban Conditions Index 1980	CDBG Grant 1980	CDBG Grant 1985	Net Change 1980–1985	Percentage Change 1980–1985
WINNERS:						
Los Angeles, CA	100	117	56,855	65,365	8,510	15.0
Nassau County, NY	29	43	10,477	13,682	3,205	30.6
Dade County, FL	9	9	14,636	17,544	2,908	19.9
Miami, FL	144	180	11,376	14,040	2,664	23.4
Hialeah, FL	5	10	2,241	4,514	2,273	101.4
Harris County, TX	4	3	3,946	6,107	2,161	54.8
Santa Ana, CA	30	30	3,023	4,548	1,525	50.4
Essex County, NJ	52	86	4,811	5,973	1,162	24.2
Carolina, PR	17	13	4,983	5,682	699	14.0
El Monte, CA	21	60	1,551	2,217	666	42.9
South Gate, CA	66	69	928	1,594	666	71.8
Inglewood, CA	29	61	1,276	1,929	653	51.2
Oxnard, CA	13	7	1,624	2,203	579	35.7
Provo, UT	101	85	1,251	1,790	539	43.1
Anaheim, CA	6	6	2,264	2,713	449	19.8
LOSERS:						
New York, NY	241	380	259,948	211,646	-48,302	-18.6
Chicago, IL	271	410	128,436	99,301	-29,135	-22.7
Detroit, MI	269	481	64,138	49,715	-14,423	-22.5
Philadelphia, PA	290	489	71,955	60,923	-11,032	-15.3
Cleveland, OH	395	606	39,293	28,816	-10,477	-26.7
St. Louis, MO	474	668	35,184	25,996	-9,188	-26.1
San Juan, PR	222	170	23,762	15,450	-8,312	-35.0
San Francisco, CA	254	276	28,728	21,355	-7,373	-25.7
Baltimore, MD	304	470	33,808	26,814	-6,994	-20.7
Pittsburgh, PA	351	451	26,044	19,587	-6,457	-24.8
New Orleans, LA	372	353	22,154	16,020	-6,134	-27.7
Minneapolis, MN	237	306	19,968	14,616	-5,352	-26.8
Milwaukee, WI	172	224	22,794	17,684	-5,110	-22.4
Buffalo, NY	395	706	24,249	19,298	-4,951	-20.4
Memphis, TN	96	104	17,463	12,703	-4,760	-27.3

SOURCE: See source note, Table 4.
NOTE: See note 2 for discussion of Urban Conditions Index computation.

Each of these factors has played a part in altering the distribution of CDBG funds from 1980 to 1985. Collectively, this system of many movable parts has resulted in an allocation system that is less responsive to community need. The data reported here, as well as the findings from a recent HUD study (Bunce et al., 1983), show that although the CDBG program continues to target funds to the neediest places, the extent of that targeting has declined since 1980.

Although it is difficult to pinpoint the attenuation of targeting effects on any one aspect of the block grant allocation system, some changes have been more prominent than others. The introduction of new data made available by the 1980 census had important effects on the allocation of CDBG funds and the winning/losing positions of many entitlement communities. Recent studies (Bunce et al., 1983; Dommel and Rich, 1986) have shown that the new census data for the poverty and

TABLE 7
Dilution of Targeting Effects of CDBG Entitlement Allocations, 1980-1985

	1980	1981	1982	1983	1984	1985
Percent of CDBG Funds Allocated to Those Jurisdictions in the First <Most Distressed> Quintile						
Urban Conditions Index*	48.2	48.0	47.0	46.5	44.7	44.4
HUD Needs Index**	53.0	53.0	52.5	52.4	51.1	50.9
Ratio of Mean Per Capita CDBG Allocations, First Quintile <Most Distressed> to Fifth Quintile <Least Distressed>						
Urban Conditions Index	3.81	3.83	3.82	3.42	3.30	3.29
HUD Needs Index	3.73	3.71	3.66	3.48	3.40	3.37

SOURCE: See source note, Table 4.
*See note 2 for discussion of Urban Conditions Index computation; **see Bunce and Goldberg (1979a) for discussion of HUD Needs Index computation.

housing formula elements have had a much larger impact on the distribution of block grant funds than updated population and growth-lag estimates.

For most communities, the introduction of the 1980 census of housing data meant smaller numbers of pre-1940 housing units and overcrowded housing units; nationally, the number of each type of housing unit declined by about 20% in entitlement communities (Bunce et al., 1983). However, the decline in the number of those units was not uniform across entitlement communities. Though the regional share of pre-1940 housing in 1980 did not differ dramatically from what it had been, based on the 1970 census, pre-1940 housing units declined cosiderably in many of the nation's most distressed cities that eliminated substantial portions of their aged housing stock during the past decade. Dramatic shifts also occurred in the distribution of overcrowded housing units during the past decade. Despite an overall national decline, the incidence of overcrowded housing became more concentrated in the Pacific and West South Central regions, and many entitlement communities in these regions actually increased their share of overcrowded housing. Further, entitlement communities actually increased their share of metropolitan overcrowded housing, which meant that the overcrowded housing formula element was allocating a much greater portion of block grant funds than its nominal weight of .25 would imply (Bunce et al., 1983: chap. 6).

The impacts of these changes in the two housing formula elements were manifest in the 1984 CDBG allocations, the first year that the new housing data were used to calculate formula entitlements. Although the total amount of entitlement funds did not change, Los Angeles received $14.1 million more (a 27% increase) in CDBG funds in 1984 than 1983, because of the city's nearly two-thirds increase in the number of overcrowded housing units. Other cities with large dollar increases in 1984 included Miami ($4.1 million), Houston ($2.1 million), and Hialeah ($2.0 million). All of these cities experienced substantial increases in the number of overcrowded housing units. Yet, despite large increases in the number of overcrowded units in these cities, overcrowded housing characterizes only a small portion of the housing stock (13% in Los Angeles) and is not as strongly associated with problems relating to housing quality and neighborhood conditions as pre-1940 housing (Bunce and Goldberg, 1979b; Bunce et al., 1983). Also, several cities received large reductions in CDBG funding: New York lost nearly $10 million, Chicago almost $7 million, and Detroit more than $5 million. Cleveland and St. Louis each lost more than $2 million. All of these cities, and many others that sustained funding declines, lost substantial numbers of pre-1940 and/or overcrowded housing units during the 1970s.

Current indications are that the program's responsiveness to urban hardship will continue to erode in future years. Although new data for the poverty and housing formula elements are not likely to be available until after the 1990 census is completed, the population and growth-lag formula elements will continue to be periodically updated. Examination of the 1985 CDBG allocations, which were based on 1982 population estimates, show that growing cities were more likely to receive an increase in CDBG funding than were declining cities.[5] In the next section we explore several options available to policymakers that could be adopted to increase the CDBG program's responsivenes to community need.

ALTERING ALLOCATION SYSTEMS

There are two crucial elements to the CDBG allocation system: (1) eligibility, the decision on who receives an entitlement, and (2) the formula used to distribute funds to entitlement communities. Formula changes to achieve better targeting imply a policy of "less for some"; reducing the number of entitlements means "nothing for some."

Several approaches are possible to improve targeting through the *formula component* of an allocation system:

(1) a change in the formula itself, by adding or dropping factors or reweighting some of the existing formula elements;
(2) adjustment of existing formulas by another factor or an index; and
(3) adoption of a dual formula approach, as was done with the CDBG program.

Since the third approach was adopted in 1977, we focus on the first two. We tested several formula options to determine the targeting patterns that would result from reweighting the existing formula elements (Table 8). The specific weights used for each formula option were arbitrarily selected. Generally, our approach was to increase the poverty weighting in formula A while reducing the weights given to population and/or overcrowded housing. In formula B, added weight was given to growth lag while reducing the weight assigned to housing units built before 1940. This formula B shift was made in part because of the large-scale demolition of old, abandoned housing that occurred in some of the most distressed cities during the 1970s. At the same time, these cities tended to have the greatest population losses during the 1970s, which also meant that declining communities were losing important elements of their employment and fiscal bases.[6]

We also examined two options for the block grant program that approached the issue of targeting by limiting the number of eligible communities to only those that evidenced a significant degree of urban hardship. Under option 6, CDBG entitlement status was limited to only those jurisdictions that qualify for participation in the Urban Development Action Grant (UDAG) program. Option 7 uses the urban conditions index both to determine eligibility and to adjust current entitlement allocations; communities with above-average needs-index scores receive larger allocations; those with below-average need, as measured by the composite index, receive smaller allocations. This latter option also incorporates a floor threshold of $100,000, which results in the elimination of a number of existing entitlement communities following the allocation adjustment.

REWEIGHTING FORMULA ELEMENTS

Our general finding was that reweighting formula elements tended to have relatively small effects on the *overall* targeting of block grant funds (Table 9). Only options 4 and 5 restored the distributional pattern of

TABLE 8
Formula Elements Weights, Existing Formula Allocation System and Various Options

	Formula A			Formula B		
	Population	Poverty	Overcrowded Housing	Growth Lag	Poverty	Aged Housing
Exisiting	25	50	25	20	30	50
Option 1	15	65	20	20	30	50
Option 2	25	65	10	20	30	50
Option 3	25	75	0	20	30	50
Option 4	25	50	25	35	30	35
Option 5	15	65	20	35	30	35
Option 6 <UDAG Cities Only>	25	50	25	20	30	50
Option 7 <Index Adjustment>	25	50	25	20	30	50

TABLE 9

Percentage Share Distribution of CDBG Entitlement Funds by Level of Distress, Region and Type of Jurisdiction, 1980 and 1985, and Various Options

	1980	1985	OPTION 1	OPTION 2	OPTION 3	OPTION 4	OPTION 5	OPTION 6	OPTION 7
NUMBER OF PLACES FUNDED	657	814	814	814	814	814	814	411	666
LEVEL OF DISTRESS									
<Urban Conditions Index Quintiles>									
First (Most Distressed)	48	44	45	45	45	48	48	66	65
Second	16	16	16	16	16	15	16	22	21
Third	13	13	13	13	13	12	12	8	8
Fourth	14	15	14	14	14	14	13	2	4
Fifth (Least Distressed)	10	12	11	11	11	11	10	2	1
REGION									
Northeast	31	31	31	31	32	31	31	37	39
North Central	26	24	24	24	25	25	25	28	29
South	23	23	23	23	23	23	23	17	17
West	17	20	19	18	18	19	18	13	12
Puerto Rico	2	3	3	3	3	2	3	4	2
TYPE OF JURISDICTION									
Central Cities	74	72	72	72	72	73	74	89	87
Suburban Cities	9	10	10	10	10	10	10	7	7
Urban Counties	17	18	18	18	18	17	16	4	6

SOURCE: See source note, Table 4.

1980 when the dual formula system was first implemented fully.[7] This partial restoration offset some of the effects of the changing demographics manifest in the 1980 census, which have generally worked against the most distressed communities. Under options 4 and 5, the most distressed communities would again receive about 48% of total CDBG entitlement funds, regaining the 4% share lost since 1980. Although such restoration brings an improvement in targeting relative to 1985, it represents an acceptance of the status quo ante. This may be acceptable in a time of expanding program funds, but may be less acceptable when resources are declining and more "bang for the buck" is desired.

Further, the reweighting options we tested had greater effects on cities receiving entitlement funding under formula B than on those cities under formula A. That is, the shift of funds among jurisdictions benefiting from the poverty-oriented formula A was very small, and thus targeting among these jurisdictions changed little. Evidently because the poverty and overcrowded housing factors are so interrelated, shifting weights between the two factors has only a marginal effect on program allocations. The exceptions to this pattern were jurisdictions with large Hispanic populations. In these communities, a shift of formula weights from overcrowded housing to poverty resulted in significant losses in formula allocations, apparently because Hispanic communities tend to have a disproportionate share of the total number of overcrowded housing units.

REDUCING THE NUMBER OF ENTITLEMENT COMMUNITIES

One of the most significant ways of improving the targeting of any program is to provide no assistance to recipients who have the resources to fund their own needs through current revenues or favorable borrowing terms. The current eligibility criteria of the CDBG program make no distinctions among communities based on relative need. Well-off communities such as Arlington Heights, Illinois; Cerritos, California; Richardson, Texas; and Scottsdale, Arizona, receive annual block grant entitlements in the same manner as do more distressed places such as Buffalo, Cleveland, Newark, and St. Louis. The targeting burden is put on the formula and, as noted earlier, that targeting impact has been eroded steadily since 1980.

Enactment of the CDBG program in 1975 brought entitlement status to a number of communities that either had not participated previously in any of the seven categorical programs consolidated into the block grant program or had received only small amounts of money under those programs. About one-third of the 590 entitlement jurisdictions funded in the program's first year fall into this category (Nathan et al., 1977: 114).

The number of entitlement communities increased by only 11% (from 590 to 657) between 1975 and 1980. However, between 1980 and 1985 the number of entitlement communities increased by about 25% (from 657 to 814), largely because of the 1980 census results, which raised several communities above the 50,000 population threshold and revised regulations on the criteria for new metropolitan areas, making it easier for smaller cities to achieve designation as central cities of new metropolitan areas (Federal Register, 1980: 956).

These new entitlement communities tended to be relatively small central cities. Between 1980 and 1985, the number of central cities with populations below 25,000 doubled from 22 to 43, and those with populations between 25,000 and 50,000 increased by about 80%, from 97 to 173. By 1985, communities with populations under 50,000 accounted for more than one-fourth (26.5%) of all CDBG entitlement recipients.

Further, the new entitlement communities tended to be relatively less distressed places than the original entitlement jurisdictions. In both time periods, from 1975 to 1980 and 1980 to 1985, the rate of the number of better-off entitlement jurisdictions substantially increased (that is, those in the lower two quintiles on the urban conditions index). Thus the general pattern over the first decade of the CDBG program was one of adding entitlement communities that tended to be small and relatively well-off places.

It is important to note also that during the program's first six years, the total amount of funds allocated to entitlement jurisdictions was increasing so that newly funded jurisdictions could be incorporated relatively easily during an era of expanding resources. However, in the Reagan years, total entitlement funds began to decline while the number of recipient communities increased by one-fourth. Although a substantial portion of the new entitlement communities added during this period were small central cities, and the share of funds they consumed was small, this share has been growing over the past five years. In 1985, approximately $215 million (about 9%) of entitlement funds were allocated to new entitlement communities compared with about $93 million (4%) in 1980. This increased share in funding for new entitlement communities has come at the expense of those central cities that were original entitlement jurisdictions because their share of funding declined from 73% in 1980 to 68% in 1985.

Meanwhile, as the smaller new communities were added to the entitlement list, the *share* of funds for the entitlement portion of the CDBG program declined, as noted earlier, from 80% to 70% of total CDBG funds. An alternative policy option would be to reduce a state's share of the small cities block grant by the cost of the new entitlement. For example, if a small city in state X became an entitlement city with a grant of $250,000, that amount would be shifted from the small cities grant of state X to the entitlement program.

UDAG-Eligible Jurisdictions (Option 6)

To show the effects of a change in eligibility standards to include only the relatively most needy jurisdictions, we used the existing formula system to examine the effect of limiting CDBG eligibility to those communities that qualify for assistance under the UDAG program.[8] Limiting CDBG entitlements to UDAG-eligible jurisdicitons reduced the number of CDBG entitlements by about half, from 814 to 411. We used the UDAG standard only to illustrate one possible approach to attack the problems of expanding eligibility and funding less needy communities, recognizing that the UDAG measures themselves have been criticized, and Congress has proposed changes in that system.

Several general points about this option should be noted. Excluding the 12 entitlement communities in Puerto Rico, the current balance in the number of CDBG entitlement communities between the Northeast and Midwest (402 entitlement jurisdictions) and the South and West (400 entitlement communities) is altered because the use of UDAG eligibility shifts the balance to 234 entitlements in the Northeast and Midwest with 165 entitlements for the South and West. However, this distribution fits generally the pattern of relative distress found by most studies on the subject.[9] Suburban participation (suburban cities with populations of 50,000 or more and urban counties) in CDBG is greatly reduced from 310 entitlements to 70. This also corresponds with the pattern of relative need generally found by various studies. Overall, as shown in Table 9, the communities in the two most distressed quintiles would increase their 1985 share of CDBG funds from about 60% to 88%.

Allocating all CDBG entitlement funds to UDAG-eligible jurisdictions resulted in very large increases for some cities, particularly for cities in the South and West. For example, Los Angeles would nearly double its $65.4 million allocation; Memphis would increase its $12.7 million allocation by 90%; El Paso's $9.5 million allocation would also increase by about 90%. At the same time, some of the more distressed UDAG-eligible cities such as St. Louis, Detroit, and Cleveland would have increases below 25%. Since such large increases may not be politically acceptable, it is possible to put a limit on the increases allowable. In our analysis, we capped allocations at 25% above their present (FY 1985) levels; that is, no jurisdiction could increase its entitlement by more than 25%. This, however, did not lift some of the more distressed cities to the 25% level, which could be achieved by using 25% as both a floor and a ceiling on increases. One important result of capping is that (using an entitlement total of $2.4 billion as provided in FY 1985) a total of about $380 million would not be distributed (16% of the current entitlement total). A higher cap would decrease the amount of undistributed funds and vice versa. Thus for those choosing to cut total program costs *it would be possible through the UDAG-criteria approach to give a significant increase in CDBG funds to relatively more distressed places while cutting total block grant entitlement funding by 16%.*

Another variant based on the UDAG eligibility option would be to keep the 411 CDBG entitlement jurisdictions at their 1985 grant level. This would save an additional $400 million for a total CDBG entitlement cost of approximately $1.6 billion, about two-thirds the current level of entitlement funding.

Adjusting Current Allocations (Option 7)

Adjustment factors have been used in previous federal programs. For example, this approach was adopted for the countercyclical revenue-sharing program of 1976-1978, which used the basic formula of general revenue sharing, adjusted by the unemployment rate of the recipient jurisdiction, to calculate grant allocations. Although this method generally improved the overall targeting of the countercyclical supplement to general revenue sharing, it did not address the eligibility issue and provided supplemental money to both distressed and nondistressed recipients. In addition, the particular factor used—the unemployment rate—is significantly problematic as an accurate measure of need, particularly for smaller communities in metropolitan areas (Ross, 1980; Buss, 1986).

The seventh allocation option we examined was a hybrid approach that involved both an adjustment to the current formula allocation based on a composite measure of community need (the urban conditions index) and a reduction in the number of entitlement communities. Under this option, each community's entitlement was adjusted according to the ratio of its urban conditions index score to the national average; entitlement jurisdictions with above-average need had their entitlements adjusted upward, whereas those places with below-average need had their entitlements reduced. We also incorporated floor and ceiling thresholds. Adjusted entitlements were capped at 25% above the current FY 1985 level; that is, no community was permitted to receive an entitlement amount 25% greater than what it currently receives. The existing entitlements for many relatively well-off communities were substantially reduced. We arbitrarily selected $100,000 as a floor threshold; communities with allocations under $100,000 received nothing. This approach resulted in the reduction of the number of entitlement jurisdictions from 814 to 666 and a decline in total entitlement funds from $2.4 to $2.0 billion.

It is also possible to reduce further the number of entitlement communities by using some measure of need as an eligibility criterion. For example, the 1977 Brookings study of the CDBG allocation system proposed using an urban conditions index to limit eligibility for a supplemental CDBG fund to only those communities that ranked above a certain threshold (Nathan et al., 1977: chap. 12). The researchers calculated that if the eligibility threshold were set at the mean, 196 of the 587 jurisdictions then entitled to funds would qualify for the extra CDBG assistance; if the eligibility standard were set at 50% above the mean to achieve greater targeting, the number of eligible communities would be reduced to 123. Our calculations, based on the 1980 urban conditions index scores, show that limiting entitlement status to only those jurisdictions that score above the mean would reduce the number of entitlement communities from 814 to 315 and reduce the amount of entitlement funds under the current formula system from $2.4 billion to $1.4 billion. Establishing the eligibility threshold at 50% above the mean would further eliminate another 100 jurisdictions and cut funding by an additional $200 million.

Options 6 and 7 suggest another policy mutation to take care of those jurisdictions that would lose their entitlements through tighter eligibility standards. Since both options result in potentially lower program costs, these savings, or some portion of them, could be added to the state small cities block grant, and those jurisdictions losing their national entitlements could compete for state funding. Since the states establish the distributional systems for the small cities program, they could set up a system of "privileged position" for those communities losing their national entitlements. This raises the issue of how well the states target their small cities funds, but that question lies outside of the scope of this article. The evidence to date, however, suggests that states have tended to distribute funds more widely than had been the case under HUD administration (Morgan and England, 1984; Herzik and Pelissero, 1986; see Isserman, 1981).

BETTER TARGETING

The answer to the question, What can be done?—and thus the problem—lies more in political will than in technically feasible solutions. Moreover, what might be possible politically during a time of growing resources is more difficult to achieve when the pie is shrinking. A system of "no losers" was possible, but politically divisive, in 1977 because the total amount of money for the block grant was increased substantially. But a condition of declining resources suggests the need for a policy of "more bang for the buck." Put another way, a policy of "nothing for some" should replace a policy of "something for everyone."

The analysis above shows that it is possible to improve targeting, relative to the 1985 distribution of block grant funds, by reweighting the existing formula elements and/or adjusting current allocations by using another factor or index. However, some seemingly significant variations in factor weights produce only marginal changes in the extent of targeting. This is not to suggest that marginal changes are not worth pursuing. But the marginal results are not likely to be perceived by executive and legislative decision makers as worth the political capital that would have to be invested to achieve them.

The eligibility component is the crucial determinant of effective targeting of CDBG funds during a time of declining resources. As shown, a much sharper limitation on the number of entitlement jurisdictions will produce greater targeting. However, on a scale of one to ten in political difficulty, this approach lies at the upper extreme of the scale, particularly because of the regional and city/suburban biases implicit in improved targeting.

There are multiple variants of the specific options analyzed that could be proposed to alter the distribution of block grant funds. Having limited the range of options examined, the objective is not to suggest a specific "best" option, but to indicate some likely results within a framework of movable parts. We are not asserting that any of the options would have easy sailing politically.

A few years ago, a book was published about Chicago politics entitled *Don't Make No Waves—Don't Back No Losers* (Rakove, 1975). If the verb in the second part of that title were changed from *back* to *make*, we would fully capture the politics of changing any federal aid distribution system. The CDBG program is no exception.

NOTES

1. *Growth lag* refers to the difference between a community's population for a given year and what its population would have been if it had experienced a population growth rate equivalent to the metropolitan city average for the period estimated. Communities with above-average growth rates have a growth-lag factor of zero, whereas communities with below-average growth rates have a positive nonzero growth-lag factor.

2. The urban conditions index scores for individual jurisdictions were computed as follows:

$$\text{Index} = (X1 \times X2)/(X3)$$

Where $X1$ = poverty/mean percentage poverty; $X2$ = percentage pre-1940 housing/mean percentage pre-1940 housing; $X3$ = 100 + percentage population change/100 + median percentage population change. The denominator values were as follows:

Urban Conditions Index, 1970	
Percentage poverty	12.2
Percentage pre-1940 housing	35.9
Percentage population change, 1960-1970	18.8
Urban Conditions Index, 1980	
Percentage poverty	12.1
Percentage pre-1940 housing	24.8
Percentage population change, 1970-1982	5.0

Scores for urban counties were based on their 1985 boundaries.

3. Urban conditions index scores (1980) used for grouping jurisdictions into quintiles were as follows:

20th percentile	15.8
40th percentile	42.6

60th percentile	94.9
80th percentile	195.5

The mean 1980 urban conditions index score is 118. The standard deviation is 138.6.

4. The HUD Needs Index is a composite index based on 18 indicators of community need. Factor analysis was used to reduce these variables to three factors (age and decline, poverty, and density), which were then combined into a composite index. See Bunce and Goldberg (1979b) and Bunce et al. (1983) for further discussion. We chose to rely on the Urban Conditions Index in our analysis because an index score could be computed for each of the 814 FY 1985 entitlement jurisdictions. The HUD Needs Index scores were only available for about 600 jurisdictions. The relationship between the HUD Needs Index and the Urban Conditions Index is quite strong (r = .81).

5. The impact of the 1982 population estimates, used for the first time in calculating 1985 grants, has had different effects than earlier population updates because more than half (141 of 249) of the cities that experienced an absolute increase in their CDBG allocations between 1984 and 1985 also reported an increase in population between 1980 and 1982. In 1981 and 1982, other years in which population estimates were used, cities that lost population more frequently benefited than those cities that gained population.

Updated population estimates affect CDBG allocations calculated under both formulas, but have different consequences for communities depending upon which formula is used to calculate its grant. Under formula A (population) an increase in population tends to raise a community's entitlement grant; under formula B (growth lag) a decline in population tends to increase the community's growth lag and result in a larger CDBG grant. However, the addition of new entitlement communities, many of which tend to have population growth rates above the national average, has tended to raise the growth rate for entitlement communities, which has in turn given growth lag status to many jurisdictions that would not have attained this status without the addition of these new (and relatively better-off) entitlement communities. As a result, the share of growth lag consumed by distressed placed declines resulting in smaller share of CDBG funds for the needier communities. See Bunce et al. (1983: 183) for further discussion.

6. In addition, we did not consider it politically feasible to increase the weight given to the pre-1940 housing factor given the considerable debate surrounding the appropriateness of this indicator. Members of Congress from the South and West have argued that this measure results in a regional bias in block grant allocations toward the Northeast and Midwest regions, where much of the nation's older housing stock resides. A study completed by researchers at the Department of Housing and Urban Development, which used data from the Annual Housing Survey, found that communities with greater concentrations of pre-1940 housing were two to four times more likely to have problems relating to housing conditions and neighborhood blight than were communities where the housing stock was relatively new. The HUD researchers concluded that the aged housing indicator was not only a good proxy for housing and neighborhood needs but also correlated highly with measures of economic and fiscal decline. See Bunce and Goldberg (1979b) for further discussion.

7. Generally, the act created a hold-harmless entitlement that guaranteed communities as much funding during each of the first three years of the block grant as the annual average of what they received during the five-year period 1968-1972, with special rules for participants in the model cities and neighborhood development programs. Communities would then be phased into their formula amounts so that in the sixth year all entitlements would be based on the formula.

8. The indicators used in establishing eligibility for participation in the Urban Development Action Grant program are poverty, aged housing, growth lag, job lag (retail and manufacturing employment change), unemployment, per capita income change, and designation as a surplus labor market area.

9. See, for example, Nathan and Adams (1976), Dommel et al. (1978), U.S. Congressional Budget Office (1978), and Bunce and Goldberg (1979a).

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